

FINANCIAL TIMES

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D 8523 B

France: new age
dawns for
television, Page 24

World news

Business summary

Mubarak BHP pays warns \$745m for Libya on hijacking Monsanto oil unit

Egypt's President Hosni Mubarak warned that if action was taken against Libya over the hijacking of the Egyptian ship 737 it would be a "catastrophe". He said the Egyptian government was considering possible reprisals for the hijacking, which left 60 people dead. Egyptian officials believe that Libya was behind a renegade faction of the Palestine Liberation Organisation that carried out the hijacking.

Manila battle

A least 10 people, including four soldiers, were killed when a group of 50 Communist guerrillas raided a military detachment near Manila, the Philippines' capital. The country's National Assembly approved a bill setting early elections for president and vice-president on February 7.

Volunteer mayor

Israel has accepted an offer from Palestinian businessman Zafar Mansur, a pro-Jordanian leader, to take over as mayor of the West Bank town of Nablus, backed by its 11-man council of Commerce. Israel has run its municipal affairs since it dismissed the previous mayor 24 years ago.

General charged

General Morris Zaza, Liberia's armed forces commander until a failed coup earlier this month, has been charged with mutiny and sedition.

Madrid bomb error

A Spanish air force Phantom fighter accidentally dropped an unexploded bomb on a Madrid suburb causing heavy damage to three houses but no injuries.

Irish hold trawlers

Irish navy patrol boats fired on five Spanish trawlers fishing in Irish territorial waters and detained two of them, a maritime radio monitoring station in northern Spain said. Three other trawlers escaped because of thick fog.

Financier appeals

Financier José Ruiz Mateos, who fled Spain in 1983 when his troubled Rumasa group was seized by the Government, has appealed against a court decision refusing him political asylum in West Germany.

Soweto staff recalled

Baragwanath Hospital, which serves the South African township of Soweto, reinstated 1,700 black nurses and auxiliary workers who were dismissed after protesting about pay and conditions.

School head shot

Guzman shot dead the Zimbabwean head of a Methodist Church school and his wife in Matebeleland.

Aids vaccine caution

Jean-Claude Chermann, French discoverer of the Aids virus, said the world must wait at least five years to judge whether a proposed vaccine treatment for the disease was effective.

Gospels fetch \$2m

The Gospels of St Hubert, written in France in the ninth century, fetched \$2m from an unnamed European telephone bidder at a Sotheby's London auction. Page 22

Fowl play

Attendants removed a man dressed as a chicken from the government front bench in Australia's lower house of Parliament.

Central bank chief says Pretoria must accelerate reform

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S Reserve Bank Governor has appealed to the Government to accelerate the pace of change now that the country is faced with mounting foreign pressure for tangible evidence of reform as a precondition for debt rescheduling.

Capital was still draining away from the South African economy and would continue to do so unless perceptions that the country was in an "Iranian-type, pre-revolutionary situation" were changed, Dr Gerhard de Kock told a banquet on Monday night in honour of South Africa's 100 largest companies.

He hinted that that message had finally got through to the Government after direct warnings from Dr Fritz Leutwiler, the former chairman of the Swiss National Bank, who is acting as mediator between South Africa and more than 300 foreign creditor banks.

Dr de Kock said he "confidently expected" the Government "to introduce political and constitutional reforms during the next session of Parliament that will go far enough to win the support of moderate black and white opinion in the Republic and some other African states."

Dr de Kock, who up to now has

insisted on the technocratic, non-political nature of the bank, also called on the black states of sub-Saharan Africa to begin to prepare for the day when political reform in South Africa reached the point where they could give it their "open, if qualified, support." That time, he added, "may be nearer than is generally realised."

The outflow of capital from South Africa had continued despite a R5.5bn (\$2m) surplus on the current account of the balance of payments and reintroduction of the two-tier financial and commercial rand system. Few of the transactions contravened the exchange control regulations introduced on September 1 when South Africa suspended capital repayments on \$14bn of short-term debt.

However, Dr de Kock rejected the imposition of draconian new restrictions and law-enforcement procedures to stem the flow as they would "almost certainly be counterproductive."

Instead, to improve that "serious" situation, Dr de Kock said "the reform process must be accelerated, with due allowance for the fact that Parliament will have to play its full part in this process."

South Africa, he added, "must

press on with reform and not allow the antagonism, the double standards, the selective morality and the hypocrisy of many critics to harden our attitudes."

Turning to the domestic economy Dr de Kock launched a broadside against those calling for a "siege economy." In a thinly veiled response to calls for greater controls made recently by Mr Fred du Plessis, chairman of the Saamra insurance group, and others, Dr de Kock said: "All measures that will contribute to South Africa's isolation and tend to turn it into a siege economy should be opposed."

"It would inevitably soon deteriorate into a tightly regimented economy run along socialist lines by bureaucratic planners leaving limited scope for private enterprise and effective competition to promote economic development and rising standards of living for all."

The South African Government yesterday denied that it was considering the release from jail of African National Congress leader Mr Nelson Mandela. Recent press speculation was the work of "ruthless propaganda experts from behind the Iron Curtain," said Mr Louis Nel, Deputy Minister of Information.

UK to urge companies to give more jobs to blacks

By John Lloyd in London

THE BRITISH Government is to attempt to persuade companies to exercise some discreet positive discrimination in their recruitment practices, in order to tackle the growing problem of unemployment among blacks, especially young blacks.

Mr Peter Bottomley, the junior Employment Minister, will next month begin a series of meetings with company chairmen and other senior industrialists with the aim of cajoling them into taking a personal interest in hiring more young people of Afro-Caribbean or Asian origin than they presently do.

The Department of Employment and the Commission for Racial Equality reckon that somewhere between 50,000 and 100,000 more young blacks are unemployed than would be the case if they were white - a rough measure of the consequences of discrimination.

The Government, however, does not favour compulsory quotas or the use of government contracts to enforce compliance, at least for the moment. Last month Mr David Waddington, the Home Office Minister of State, said these were being considered.

Mr Bottomley's pitch will be aimed at persuading business leaders that they should ensure that their companies follow the Commission of Racial Equality's code, which lays down that companies should not discriminate either consciously or unconsciously in hiring or promotion practices.

Mr Bottomley said last night: "The plain fact is that if we look at the numbers of people in employment, then young blacks are not getting the kind of chance they ought to be getting. The tendency is for them to get proportionately fewer jobs and to stay at the bottom of the promotion ladders when they are in work."

The minister intends to pursue his campaign for greater racial equality in employment in both the public and private sectors. He recognises that the Civil Service and other public sector areas are lagging in offering equal opportunities as much as many companies in the private sector.

He has adopted the figure of 50,000 to 100,000 jobs for black youngsters as a target which he aims to achieve within the period of the present Parliament. The growing belief in the Government and elsewhere that high unemployment among blacks is in part responsible for recent riots in Birmingham and London has given his task a greater urgency.

Continued on Page 26

Rome insists on more power for Strasbourg

BY QUENTIN FEEL IN BRUSSELS

ITALY yesterday served a virtual ultimatum on fellow EEC members to grant more powers to the European Parliament or see their planned reform package rejected.

Mr Giulio Andreotti, the Italian Foreign Minister, and a leading architect of the reform exercise, warned that any deal unacceptable to the European Parliament faced rejection in Rome - a threat which would appear practically to give the MEPs a power of veto.

His stance on granting more authority to the directly elected assembly more than the present plan to give the Parliament powers of amendment without any final say on EEC legislation - caused confusion among his colleagues.

Mr Andreotti's warning came as the end of marathon efforts to agree on reforms to the Treaty of Rome, intended to streamline and revitalise the Community, in time for next week's summit.

Both Italy and European Parliament members are demanding full powers of co-decision-making for the assembly - a reform described as completely unacceptable by several states led by Britain and Denmark.

They insist that the Council of Ministers, the EEC's supreme decision-making body, must retain the final say.

Mr Andreotti did, however, suggest a possible way out of the impasse: by leaving the question of the Parliament's powers to be resolved in further negotiations, with a commitment to co-decision-making at some future date.

A compromise plan would allow the Parliament to amend EEC legislation at a second reading, which, if endorsed by the European Commission, could only then be rejected by the Council voting unanimously. That seems acceptable to all except Italy at one extreme and Denmark at the other.

The ministers did succeed yesterday in finalising almost all the text of a new treaty on political co-operation - the co-ordination of foreign policy outside the economic area already covered by the EEC.

Ultimate endorsement will be left to next Monday's summit in Luxembourg, but no substantial objections remain.

The agreement will provide for the establishment of a small Brussels-based secretariat, to service the regular meetings that already take place.

A French plan for a second super-secretariat, or "European Union," to supervise both political co-operation and EEC affairs and report directly to the summit meetings, was strongly attacked yesterday, particularly by Belgium and the Netherlands.

Editorial comment, Page 24; Threat to steel accord, Page 26

Brazil will not seek new debt deal with IMF

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN Government no longer intends to seek an agreement of any type with the International Monetary Fund (IMF).

The declaration by Mr Dilsio Fumero, Finance Minister, after two days of talks in Washington with IMF and US officials, closes a nine-month chapter of on-and-off negotiations with the fund. It also means that the proposed multi-year rescheduling agreement on Brazil's \$104bn foreign debt is virtually dead.

Talks with the Brazilian bank advisory committee on an ambitious \$45.3bn rescheduling agreement were abandoned last February when the IMF suspended its extended fund facility loan to Brazil in response to serious breaches of domestic adjustment targets.

In its place, Mr Fumero said Brazil would ask its 700 bank creditors to extend the existing temporary arrangements that expire on January 17 for "another year or two." Medium and long-term bank loans fall-

ing due for repayment up to the end of 1987 total \$22.2bn.

Talks are to take place in New York between Brazilian officials and the 14-member bank advisory committee in about two weeks. All the indications are that these will be extremely arduous.

The announcement by Mr Fumero that the already fading prospect of a formal agreement with the IMF is now dead comes on top of last Wednesday's upsetting news for international banks that Brazil does not intend to honour \$455m in foreign bank loans extended to three Brazilian banks wound up on the orders of the Government.

Confirming the tough line that the Sarney Government has taken on this controversial issue, Mr Fumero said in Washington: "If we are not going to pay the Brazilian creditors, we are not going to pay the foreigners, adding: 'This point is very clear. It is a matter of justice.'"

Following last week's announcement, inter-bank credit lines to Bra-

zilian financial institutions - the Achilles' heel of the country's economy - are reported to have come under pressure. At the last official count these short-term credits totalled \$5.8bn, but they are likely to have declined in recent weeks.

The apparently final dropping of an IMF agreement by Brazil could also have serious implications for UK businessmen, particularly those needing medium-term finance for capital goods sales. Britain's Export Credits Guarantee Department (ECGD) has made clear that it will not resume medium-term cover for Brazil without a prior agreement with the IMF.

Most at risk is a major \$200m contract between Rolls-Royce and Embraer, the state aircraft manufacturer, on the one hand, and the Brazilian Government on the other.

A preliminary agreement where-

Continued on Page 26

Brazil and US divided on services, Page 8

Hanson vows to continue fight for SCM after court setback

BY TERRY DODSWORTH IN NEW YORK

HANSON TRUST, the UK industrial group, lost the first round of its long legal battle for control of SCM yesterday, but immediately launched a further action against the New York company in the appeals court.

Sir Gordon White, chairman of Hanson's US interests, said the company was disappointed by yesterday's judgment, but "confident" that the courts would ultimately vindicate Hanson's case.

However, shares in SCM fell by 5% to \$74 after the news, indicating that the arbitrageurs who now hold most of the SCM stock are less sanguine than they had previously been that Hanson would win the legal action. If Hanson loses, shareholders will receive only 574 a share in cash and paper from Merrill Lynch, the New York securities company that is mounting a rival bid, rather than the \$75 a share on offer from the UK group.

Yesterday's ruling, eagerly awaited on Wall Street because of its potential significance in other US takeover contests, was centred on the controversial question of the use of "lock-up" options in takeover battles.

Under a lock-up agreement, a target company in a takeover contest gives a favoured bidder an option to buy certain key assets in an attempt to ward off an unwanted offer. Hanson argued that such a lock-up granted by SCM to Merrill Lynch, which has assembled a bid involving some SCM managers, should be denied by the court because it impeded the bidding process.

The UK company also contended that the directors of SCM, a highly diversified group that makes Smith-Corona typewriters and runs a variety of pigmentation and food businesses, had not carried out their fiduciary duties and were wasting corporate assets.

Rejecting the Hanson claims,

Judge Shirley Kram of the southern district of New York said SCM had employed "reasonable measures... as part of a viable business strategy, as the law currently defines those terms." Hanson, she added, had failed to adduce sufficient credible proof to the contrary.

The court came down in favour of SCM on most issues at stake, saying the directors had done their best to achieve a fair value for shareholders. It broadly supported the directors' case that they had exercised their "best business judgment" - a crucial issue in takeover law - in deciding on the tactics to be used to maximise the takeover price of the company once the hostile Hanson bid had been launched.

On the other hand, the Hanson side was emphasising last night that the judge had also pointed to her unease over "several aspects of the independent directors' actions."

Lex, Page 26

CONTENTS

Europe	2, 3	Editorial comment	24
Companies	27, 28	Europe's business	27, 28
America	6	Financial Futures	43
Companies	27, 28	Gold	42
Overseas	3, 5	Intl. Capital Markets	27, 28
Companies	29, 30	Letters	25
World Trade	8	Management	26
Britain	10, 12, 14	Market Monitors	50
Companies	32, 34, 36-38	Men and Matters	24
Agriculture	42	Money Markets	43
Appointments	42	Raw materials	42
Arts - Review	22	Resources Review	21
World Guide	22	Stock markets - Review	47, 49
Commercial Law	39	Wall St	47-50
Commodities	39	London	44-47, 50
Crossword	39	Technology	23
Corrections	43	Unit Trusts	39-41
		Weather	26

Space projects: prospects for superpower links	2	French television: the noisy entrance to a new age	24
Taiwan: grappling with an uncertain future	5	World shipping: anxious days for the banks	25
US: profile of a free trader with a tough approach	8	Gatt: how to solve the North/South debate	25
Management: how Elf backs business creation	16	Lex: BHP, Rothmans; Hanson; Allied-Lyons	26
Editorial comment: Europe; helicopters	24	Barbados: Survey	17-20

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November 1985

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Financial Times Wednesday November 27 1985

EUROPEAN NEWS



Mr Nikolai Ryzhkov (left), the Soviet Union's new Prime Minister, receives the congratulations of Mr. Gorbachev (right), the party leader who nominated him yesterday at a meeting of the national parliament in Moscow. President Andrei Gromyko looks on.

Gorbachev calls for action as economy again misses goals

BY OUR MOSCOW CORRESPONDENT

A MORE dynamic approach to solving the Soviet Union's economic problems was demanded yesterday by Mr Mikhail Gorbachev, the party leader, as the Kremlin revealed that some plan targets will be missed again this year. He called for better administration and planning to exploit further reserves in the economy.

The recently appointed planning chief, Mr Nikolai Talyzin, followed a new pattern in blaming the mistakes on practices followed under President Leonid Brezhnev and his close ally, Mr Konstantin Chernenko, also later President. Some targets will not be met, mostly because of a slow transition to intensive methods of economic activity and also because of lack of organisation in several sectors, he told 1,500 deputies at the national parliament gathered in the Kremlin.

Mr Talyzin gave few details of the shortfalls. Criticising the oil and steel industries by name, he said the oil industry would be expected to produce 616.7m tonnes in 1985. This would be 18.7m tonnes above the expected output this year, meaning production this year would be significantly lower than the 635m tonnes of 1984. That figure represented the first fall in annual oil production since the war.

He said 1985 results were generally positive and he predicted higher growth next year. Almost all of it is due to come from higher labour productivity in line with shift plans that call for workers to double industrial output by the year 2000.

Productivity this year, he said, will meet the 3.7 per cent target but this is 0.1 point down on 1984 and still a whole

percentage point behind the annual growth needed to double output in the next 15 years.

National income this year is expected to be 3.5 per cent up on the 1984 figure and industrial production 3.3 per cent down from the 4.2 per cent growth rate last year. Some of the shortfall is due to the severe winter.

Mr Talyzin gave only vague figures for agriculture this year, saying gross output rose Roubles 2.1bn (£1.85bn) from Roubles 135bn in 1984. He set a 4.4 per cent increase in agricultural production, with 4 per cent in industrial output.

Planned revenue is set at Roubles 414.4bn and spending at Roubles 414.2bn. The defence budget, which went up an announced 12 per cent last year, remains the same at Roubles 19,063bn.

David Buchan writes: Declining hard currency earnings from energy exports to the West and sales to the Third World led the Soviet Union to increase its net debt to Western commercial banks by \$4.2bn to a total of \$9.5bn in the first six months, according to PlanEcon, an organisation based on research organisation.

The steep increase in Soviet net debt — gross borrowings from Western banks minus deposits in those banks — occurred as Moscow first ran down deposits by \$2.6bn in January-March and then increased gross borrowings by \$3bn in April-June, according to Bank for International Settlements (BIS) figures.

PlanEcon believes Moscow will increase its gross indebtedness to Western banks by \$5bn this year, given lack of attractive alternative lending options in the world and excellent Soviet credit ratings.

W. German exports at record DM 49.3bn

By Rupert Cornwell in Bonn

WEST GERMAN exports hit an all-time high last month of DM 49.3bn (£13.1bn), as the country remained firmly on course to register record surpluses on both its trade and current accounts for 1985.

According to figures released yesterday by the Federal Statistics Office in Wiesbaden, October showed a trade surplus of DM 8.7bn (£2.3bn), surpassed only by the DM 8.5bn achieved 13 months earlier. But for the first 10 months of this year, the cumulative surplus rose to an unprecedented DM 58.3bn, from DM 49.9bn in the same period of 1984.

This suggests that forecasts from a wide variety of analysts that the trade surplus will reach a record of around DM 70bn-DM 75bn this year, will be comfortably borne out.

The pattern is even more pronounced in the current account, which includes service transactions and other transfers as well as trade. Between January and October of this year, the surplus more than tripled, to DM 27.4bn from only DM 8.3bn in the first 10 months of 1984.

Only last week the independent economic advisory council of the Government, the so-called "five wise men" predicted that the current surplus would turn out around DM 45bn this year, more than double last year's record of DM 17.7bn.

Although there are signs that, as a result of a pick-up in domestic demand, imports may be starting to rise faster than exports, the latest figures will do little to still foreign apprehension over the apparently inexorable growth in the West German foreign surplus.

Estimates for next year's trade surplus, even allowing for some up-valuation of the DM mark, range between DM 85bn and DM 100bn.

In the first 10 months of this year, exports climbed nearly 1 per cent to DM 447.5bn, while imports advanced by 8 per cent to DM 369.6bn. In real terms, the rises were 7 and 4 per cent respectively.

OVERSEAS NEWS

Egypt warns Libya of reprisals

BY TONY WALKER IN CAIRO

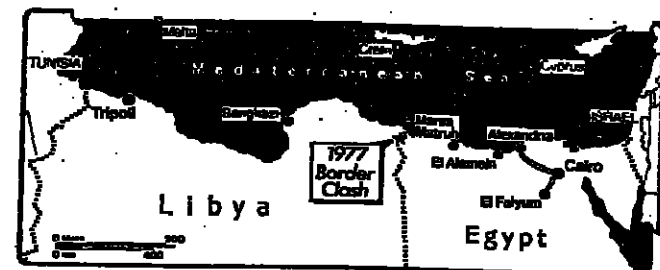
EGYPT'S PRESIDENT Hosni Mubarak has warned that if action were taken against Libya over the hijacking of the Egyptian Boeing it would be "severe". His remarks come amid speculation here that Egypt is considering possible reprisals.

Already badly strained relations between Cairo and Tripoli have been further soured by the episode which left 80 dead, most of whom perished in the storming of the plane by Egyptian commandos.

Egyptian officials are alleging that Libya was behind a renegade faction of the Palestine Liberation Organisation headed by Abu Nidal, also known as Sabri al-Banna, which carried out the hijacking itself.

Mr Mubarak, asked about the military option at a brief news conference yesterday, said: "We are not warmongers, but if we adopt war it will be for the sake of peace. We are patient. I do not like to be hurried. But if I reply it will be severe."

Egypt's president revealed that Dr Esmat Abdel Meguid, the Egyptian Foreign Minister, had telephoned his Libyan counterpart last Sunday morn-



ing to warn him that the situation in Malta was "drastic and dangerous".

Mr Mubarak also indicated that France, the US and Britain offered to send in anti-hijack forces. "I would like to thank France and many other countries which showed their readiness to send in specialised troops in this field, including the Americans and English," he said. "But our troops were very highly trained."

A western defence attaché said that while the Government was considering various options, any military action would be approached with "tremendous caution". The official said that the bitter memories of the costs of Egypt's open ended military

would never forget. Hostilities were suspended after about four days.

There have been a number of incidents in the past year between the two countries. Egypt has alleged it has uncovered several plots to assassinate Libyan exiles here.

After one such plot to murder a former Libyan prime minister, Mr Mubarak branded Col Gaddafi "an international terrorist". The Egyptian semi-official press described the Libyan ruler as a "mad, blood-thirsty leader who behaves like a criminal". Libya frequently denounces Mr Mubarak as a tool of the Americans.

Egypt blamed Libya for last year's mining of the approaches to the Suez Canal and produced circumstantial evidence about the suspicious movements of a Libyan ship in the region just before the mines started exploding as a possible indication of Tripoli's involvement.

The US has added its voice to allegations that Libya was behind the Egyptian hijacking. There is little doubt, observers say, that the US would back an attempted reprisal against Libya.

Plan for Peres talks with Hassan in doubt

By Walter Ellis in Tel Aviv

A PROPOSED meeting between King Hassan of Morocco and Mr Shimon Peres, the Israeli Prime Minister, which could have given a bolt to the faltering Middle East peace process, is now in doubt.

King Hassan told French journalists on Monday that he was ready to respond positively to a request conveyed by an Israeli Member of Parliament for such a meeting. Yesterday Mr Peres announced that he too was willing to talk.

But Mr Peres had something positive to propose he should "put it in an envelope and address it to the UN Secretary General". His response to Mr Peres' initiative should not have been construed as an invitation to talks in Morocco, he said.

King Hassan, chairman of the Arab League, is a Middle East go-between of long standing, used by both Arabs and Israelis. Moroccan troops have fought in wars against Israel and an Arab summit was held in Fez in 1982. However, King Hassan has avoided anti-Israel propaganda and has met Israeli leaders several times over the last 10 years.

David Housego writes in Paris: who starts a three day visit to Paris today, said in his interview with French journalists that his Government wanted to buy 24 Mirage 2000s from France.

But he made clear that there would have to be continuing discussions over price and delivery dates. The Moroccan airforce is equipped with Mirage F-1's but has also been considering buying US equipment.

The King is expected to press for stronger safeguards to prevent the entry of Spain and Portugal into the EEC damaging Moroccan exports to Europe of fruit and vegetable products.

Athens criticises Malta's handling of hijack

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE yesterday strongly criticised the Maltese Government for the handling of the Egyptian airline hijack crisis and lashed out at West German and French criticism of security standards at Athens Airport.

Mr Karolos Papoulias, the Greek Foreign Minister, said in a press conference yesterday that Athens feels "the possibilities for a different, less bloody ending to the hijacking were not exhausted" before the Egyptian commando raid on the hijacked aircraft. Only five of the 17 Greeks aboard, most of them seamen, survived.

Mr Papoulias also disclosed

A wounded air pirate, the only one of five hijackers to survive, was reported out of danger yesterday and under close police guard at a Valletta hospital. Reuter reports from Valletta. The man was recovering after surgery. Government spokesman Mr Paul Mifsud said Mr Hani Gaial, the pilot of the Egyptian flight, had identified the man as one of the hijackers who seized his Boeing 737 on an Athens-Cairo flight last Saturday.

that Greece has protested formally to West Germany over criticism of security at Athens Airport reportedly made by Mr Friedrich Zimmermann, the Interior Minister, in an interview on the hijacking. Mr Zimmermann was quoted

as advocating a boycott against Athens. "I personally told the minister that he shouldn't be in such a hurry to make judgments, especially coming as he does from a country afflicted daily by terrorism," Mr Papoulias said.

Security standards at Athens Airport were found to be "satisfactory" by the International Air Transport Association (IATA) last July, about one month after the hijacking of a TWA jet flying from Athens to Rome. The week before the Egyptian airline hijack Athens was inspected and cleared by the US Federal Aviation Administration.

An IATA mission left Geneva yesterday for Cairo and Athens to inspect airport security.

French TV inquiry urged

BY PAUL BETTS IN PARIS

FRANCE's right-wing opposition parties have called for a parliamentary commission of inquiry into the decision to grant a Franco-Italian group led by Mr Jerome Seydoux and Mr Silvio Berlusconi the licence to operate the first French private television network.

Mr Alain Madelin, a leading UDF member, said the govern-

ment had flouted the rules of free competition. He added that both his party and the Gaullist RPR would change the current situation in French broadcasting if they win next March's general election.

However, there are already signs that rival broadcasting groups are showing interest in collaborating

How DSM would have solved Eiffel's towering problem

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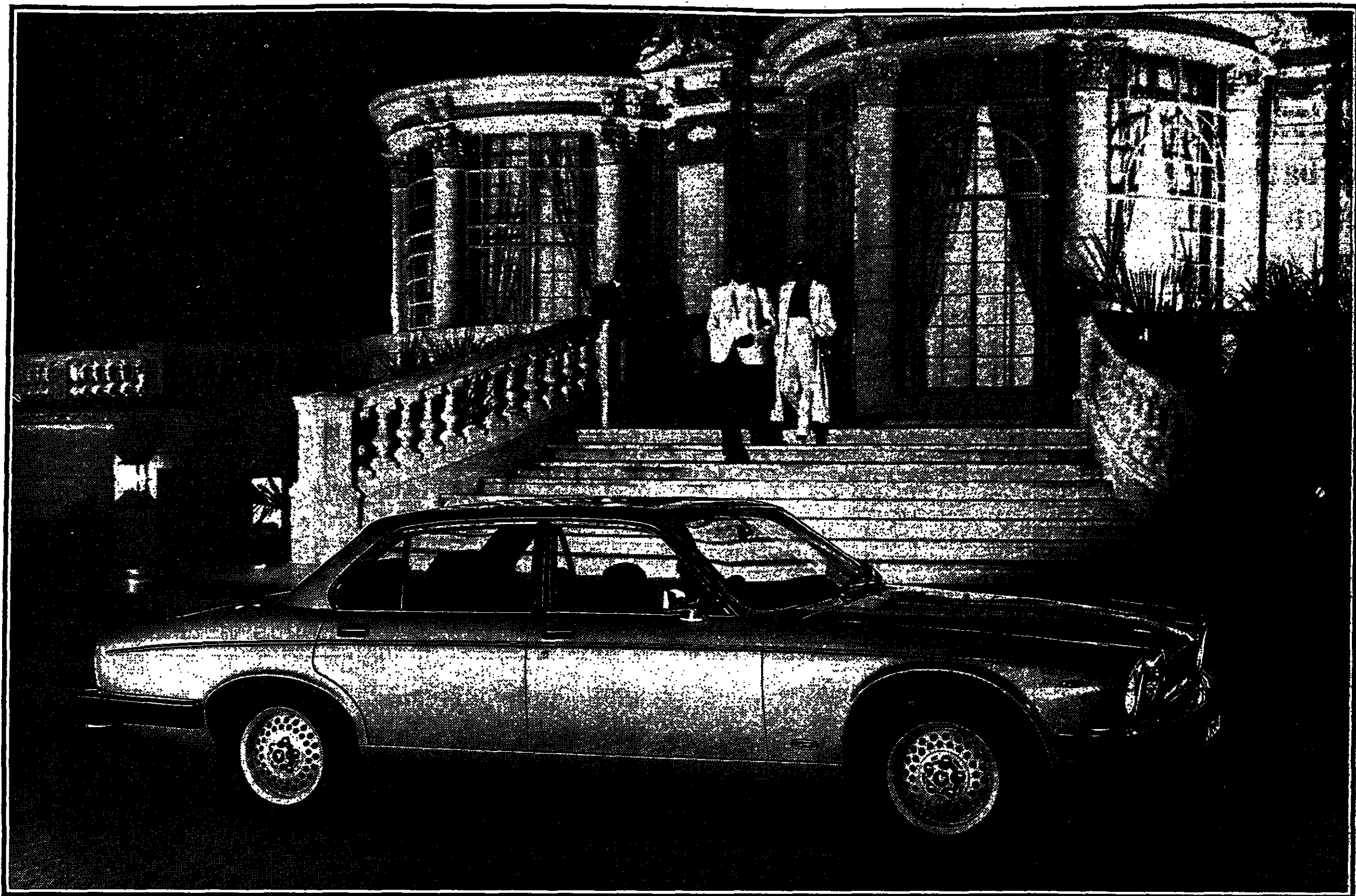
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JAGUAR: HOW A REPUTATION IS BUILT



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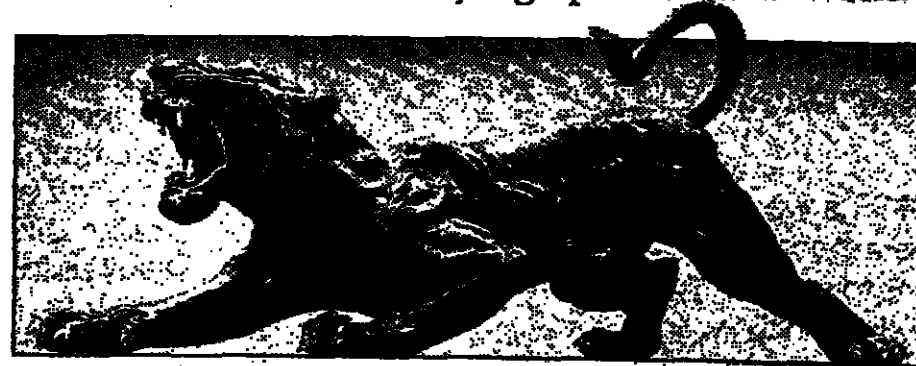
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OVERSEAS NEWS

Straight-talking Mahathir keeps a wary eye on changing China

UNLIKE MANY visiting leaders who have received Peking's usual rounds of banquet flattery, Dr Mahathir Mohamad, the Malaysian Prime Minister, has uttered more than the typical platitudes.

The straight-talking Dr Mahathir, who is on an eight-day visit here, has made clear that he and his Government are still very wary of China and will not be "caught napping" by a change in political direction that threatens the security of South-east Asia.

His frank assessment of the potential for change in a Chinese Government with a history of radical change comes at a time when the Chinese have been assiduously cultivating ties with South-east Asia, and is no doubt a concern shared by several of his Asian partners. In recent months, China and Indonesia have reached agreement on direct trade. Mr Lee Kuan Yew, the Singaporean Prime Minister, has visited, and China has begun selling arms to Thailand.

But the emerging China is still an unknown quantity for South-east Asia. Relations irritated by its "moral" ties with communist groups in the region, and uncertain of the effects of the push for modernisation on their economies.

Dr Mahathir talked tough on China's "moral" link with the Communist Party of Malaya, which, he said, looks to China

Robert Thomson reports from Peking on the Malaysian Prime Minister's views of Sino-Asean relations

for guidance and, rightly or wrongly, believes China will provide it with material assistance.

"I cannot be at ease with the feelings of some people in Malaysia, particularly the insurgents out in the jungle. They still believe in outdated ideas and think they could get help from China simply because of ethnic connections," he said. "That is their belief, and because they believe that, they are not doing things in the interest of Malaysia and maybe not in the interests of Malaysian-Chinese relations."

The Malaysian leader said assurances were given to him by the Chinese leadership, with which he "feels very comfortable," that they have no intention of threatening South-east Asia. Nevertheless, "we have to maintain scrutiny of our relationship all the time."

"As you know, countries do change and in the case of China we have seen very radical changes. No leadership of any country can be absolutely certain that the policies of their country will not change. That

is what is bugging us."

Last week, the Chinese news agency, Xinhua, devoted much time to talking up the development of relations with the members of the Association of South-East Asian Nations (Asean) with a focus on the growing trade links. A Western diplomat observed that China has used very different approaches in developing relations with Asean and Western European countries.

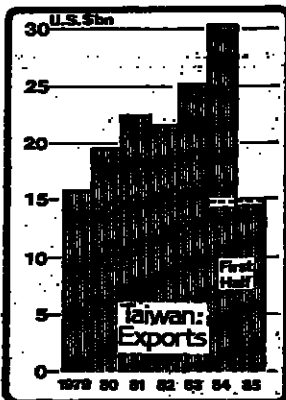
With Western Europe, the diplomat said, China first established strong diplomatic ties and then worked to exploit the economic benefits of those relationships. With Asean, China is working to establish trade links with the hope that stronger diplomatic ties will follow.

At present, trade in the region is working in China's favour. It runs surpluses with most Asian countries, and its export expansion has sometimes been at their expense.

China's oil exports soared 46 per cent in the first half of this year, and Western bankers say the chief loser was Indonesia. Diplomats here say China trade will not be the windfall some Asean nations hope for.

But Asean members are experiencing economic difficulties and look towards China as a means of expanding exports as protectionism makes other markets difficult to penetrate.

Bob King in Taipei assesses the economic and political difficulties facing a 'non-nation' Taiwan grapples with an uncertain future



Two political and financial scandals, coupled with declining exports, have meant a difficult year for the Taiwan authorities. The changes in China are also making long-term planning difficult for a country with a curious international status.

economic slowdown. Exports, which traditionally account for about half of annual gross national product, decreased during the first 10 months by 0.7 per cent compared with the same period last year, because of lowered demand abroad.

Rising protectionist moves in the US, which normally takes about half Taiwan's exports, could further reduce imports and squeeze private companies more tightly in future. Combined with antiquated financing systems and lending procedures at local banks, which are reluctant under even the best business conditions to lend to private businesses, produces a dismal outlook for the private sector in the short term.

The Government, under

pressure from businessmen, foreign bankers and progressive bureaucrats to reform Taiwan's economic and financial systems, in May appointed an economic reform committee to look into the system's shortcomings and propose ways to correct them.

The committee last week presented 56 proposals to the executive branch, but it is not yet clear when, and more importantly, to what extent, the Government will implement them.

Compelling with urgent economic and social problems, though is the question of Taiwan's international identity and political future. Both the Nationalist Govern-

ment in Taipei, and the Communist one in Peking, continue to claim to represent all of China—Taiwan included.

Currently, only 24 nations maintain diplomatic relations with Taipei, mostly Latin American, but including South Korea, Saudi Arabia, and South Africa. Peking, officially at least, continues to keep up the pressure for early reunification.

For a start, it proposes trade, postal and telecommunications links, as well as the right for each-way visits. Taipei, extremely sceptical of Peking's good intentions, rejects these proposals, calling them "sugar-coated poison" and has an essence called on Peking to abandon Communism and institute a democratic form of government before any contacts take place.

Taipei's stance, at least on the matter of negotiations with Peking over the island's future, makes sense to the relatively affluent Taiwanese, who are not interested in trading either their economic success or their hard-won personal freedoms for a dubious place in the Communist sun.

But at the same time, Taiwan's "non-nation" status irks many Taiwanese, who feel a strong pride in the island and who are beginning to press for greater freedom and Government reforms. Taiwan's un-

certain international status makes long-term planning, in business and even on the personal level, extremely difficult at best.

Despite Peking's official hard line there are signs that today's more-pragmatic Chinese leadership is prepared to let history provide a solution where diplomacy and threats of force have failed. Recently, observers inside and outside China noted that China's top priority remains modernisation rather than confrontations with—or over—Taiwan. They added that Peking would likely remain content with the status quo: only foreign domination of Taiwan, a declaration of independence, or internal chaos would force Peking's hand, and even then it is not clear what options would be open to China.

In the view of many Taiwanese the reunification ball is in Peking's court. While many people who consider Taiwan to be their home press for reforms, they keep one eye on China, hoping to see the economic, political, and social improvements that would give the two sides more in common than language and culture.

As one native Taiwanese put it recently: "If they improve the economy so that the people there can live like we do, and give them the freedoms that we have, then I wouldn't mind reunification at all."

Nakasone's rivals set to keep Cabinet jobs

BY JUREK MARTIN IN TOKYO

NEXT MONTH'S Cabinet reshuffle is unlikely to produce change in the upper ranks of the Japanese Government and ruling Liberal Democratic Party.

This means that Mr Noburo Takeshita and Mr Shintaro Abe, the leading contenders to succeed Mr Yasuhiro Nakasone as Prime Minister, will move into their fourth years as Finance and Foreign Ministers respectively.

Another candidate, Mr Kiichi Miyazawa, will probably stay on as head of the LDP's policy committee and Mr Shin Kanemaru, the power broker behind Mr Takeshita's bid for the leadership, as Secretary General.

Japanese Cabinets are routinely overhauled every year, with Cabinet posts allocated not on the basis of the ability or interests of individual politicians but in order to satisfy the five factions which comprise the bulk of the party.

It is, therefore, unusual for Mr Takeshita and Mr Abe to have inhabited their positions for as long as they have, which is, of course, for the duration of Mr Nakasone's term. A year ago, both men, especially Mr Abe, were known to be restless, but any post other than that of LDP Secretary General would not have furthered their ambitions.

The official reason for Mr Abe and Mr Takeshita staying on is that they are needed both for the Tokyo economic summit next May and because of the heavy and controversial parliamentary schedule.

It matters far more that Japanese politics are entering an intense tactical phase with a general election, probably shortly after the summit, and the contest to succeed Mr Nakasone gathering pace.

The hottest current issue reflects this: Parliament is badly stalled over a modest electoral reform proposal designed to meet the Supreme Court's concerns over the imbalance between rural and urban constituencies.

The LDP probably could if united, push through the Diet a version backed by Mr Nakasone, which would take six seats away from the countryside. The centrist parties oppose the bill because it is inadequate while rank-and-file MPs from both the LDP and the Socialist Party, which has many rural MPs, are naturally nervous.

Probably the real reason for the impasse is that Mr Nakasone's intra-party rivals do not want to give him what he wants—which they see as a flexibility to dissolve parliament and hold snap elections at his convenience.

Sierra Leone leader to step down after 17 years

BY PETER BLACKBURN IN ABIDJAN

A VETERAN African leader steps down tomorrow, ending an era in Sierra Leone.

President Siriah Stevens, 80 years old, is due to hand over power to Maj Gen Joseph Momoh after 17 years in office, his legacy a run-down economy, widespread corruption, an overvalued currency and massive smuggling of diamonds and gold, the country's two leading exports.

Gen Momoh, 49, the sole presidential candidate, was endorsed by voters last month in the first such exercise since Sierra Leone gained independence from Britain 24 years ago.

It provided a rare example, say diplomats, of peaceful political change in Africa and the polls were a stark contrast to the 1962 parliamentary elections marked by violent clashes between supporters of rival candidates from the All People's Congress, the country's sole political party.

Although Gen Momoh was the sole presidential candidate the high voter turnout and nearly unanimous support were seen by observers as indicative of genuine popular support.

Gen Momoh, who had previously kept a low political profile and was free from the discredit attached to most of the country's politicians, was chosen earlier this year by President Stevens in a shrewd move to defuse the potentially explosive succession issue.

Gen Momoh rapidly proved to be a popular choice with his



Mr Stevens: end of an era

call to clean up the country's political and economic management. But his ability to bring real change will depend on his success in distancing himself from President Stevens.

Foreign businessmen and bankers will be looking for a positive change in relations with the International Monetary Fund following the breakdown of the last agreement in November 1984. The Government has so far rejected IMF advice to float the exchange rate in order to fuse the official and black market rates for fear that this would provoke a sudden and socially unacceptable rise in prices.

In a recent interview Gen Momoh stressed that he agreed with other reforms proposed by the IMF.

Matabeleland couple killed

GUNMEN burst into a church school and shot dead a Zimbabwean school head and his British-born wife in southern Matabeleland province on Monday night, Reuters reports from Harare.

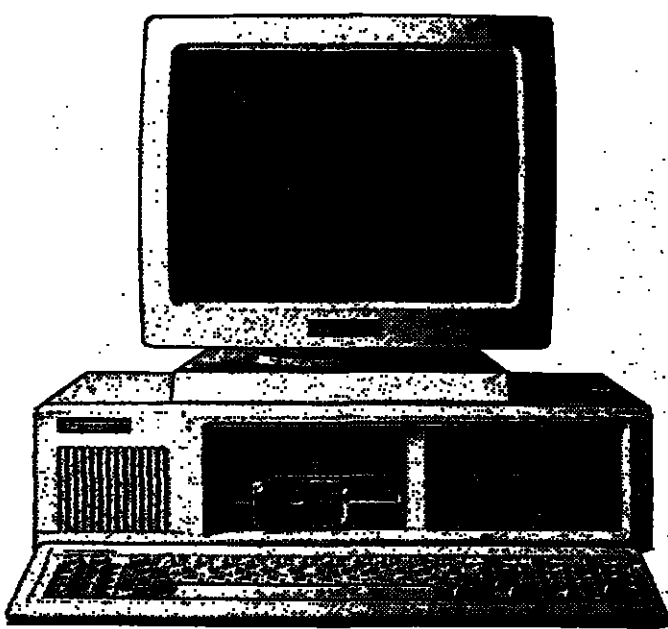
Mr Luke Khumalo, 58, principal of Tegwane Methodist Secondary School since 1974,

and his wife Jean, 54, died in a hall of gunfire when the attackers stormed the school.

The school is about 15 miles north of Plumtree, the Zimbabwe-Botswana border town. Rebels, who the Government says are supporters of the opposition, are active throughout Matabeleland.

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AMERICAN NEWS

US defence cuts 'could reduce force by one-third'

BY REGINALD DALE, US EDITOR IN WASHINGTON

DECLINING growth in US defence spending, and recruiting problems, could reduce US conventional forces by as much as one-third by 1990, according to an in-depth study published by the Georgetown Center for Strategic and International Studies this week.

The impact on US military capability will be "profound," the study says, obliging the Pentagon and the armed forces to make increasingly difficult choices over defence priorities. With the reduced force levels envisaged, the report suggests that the US might be unable to win a major conflict with the Soviet Union.

The study was conducted over the past 18 months by a group of senior retired military officers and Pentagon civilians, under the aegis of Georgetown University. It took as its basic assumption that, in the current mood of Congress, there would be no real growth in defence spending in the 1986 fiscal year and only 1.5 per cent annual real growth in the following fiscal years up to 1990.

This spending pattern would represent a \$290bn (\$200bn) shortfall from the Administration's original five-year defence plan of January, 1985, the study

says. If there was no real growth in spending, the shortfall would be \$337bn and with no allowance for inflation it would reach \$516bn.

Concurrently, the total number of men and women reaching the prime recruiting age of 18 will decline by more than 10 per cent between now and 1995.

Faced with these constraints, the study group concluded, the Pentagon would choose to retain current force structures and reduce readiness and sustainability, the worse of its two options. It would be far preferable to keep readiness as a high priority and allow the forces to contract, the study said.

Under the course likely to be adopted, US forces in the 1990s would be reduced to approximately the same level of readiness as in the late 1970s, before President Ronald Reagan's build-up—a "hollow" and unprepared force. In addition, for political and traditional reasons, cuts would probably be applied equally to each service "the worst of all the alternatives."

If, on the other hand, readiness were maintained and the force structure reduced to re-

fect the new financial constraints, the army would lose three of the 18 active divisions originally planned for 1990, the air force six-out of 39 active and reserve tactical fighter wings and the navy three out of 15 planned carrier battle groups. Washington would be forced to choose between "two unacceptable geopolitical futures: to reduce US forces for Nato and reduce European confidence in the US, or to reduce US forces for South-West Asia and the Pacific and reduce the confidence of Asian allies in the US commitment."

Members of the group also pointed out that weapons costs continue to increase at a rate of six per cent a year above the inflation rate and that added pressure on conventional spending will come from increased spending on nuclear weapons and the Star Wars space defence programme.

Significant relief could come from improvements in the effectiveness and efficiency of the defence acquisition process, but this was likely to be only temporary, the study said. A 15 or 20 per cent improvement would provide the resources to make up for at least one year's real growth.

Argentina to receive \$800m loan tranche

By Peter Montagnon, Euromarkets Correspondent

ARGENTINA WAS last night due to receive a further \$800m (\$551m) instalment from the \$4.2bn loan agreed with commercial bank creditors earlier this year as part of its rescheduling package.

About \$200m of the latest payment is earmarked for back interest payments to bank creditors, bringing service on the country's \$48bn foreign debt up to date for the first time in more than two years.

Bankers said the latest payment will also allow Argentina to pay penalty interest which accrued earlier on unpaid interest payments so that the country could now boast a clean slate.

The successful implementation of both the rescheduling and Argentina's austerity package announced in the summer has focused attention on the country as a possible early beneficiary of loans under the so-called Baker plan for easing the debt crisis.

But Argentina is still working on its economic programme for next year and has not decided how much financing it will need or what form it will take.

The latest loan payment is the second under its 1985 package. Argentina drew a first tranche of \$2.3bn in September.

Surinam lifts political ban

THE military-controlled government of Commander Desi Bouterse in Surinam has lifted a five-year ban on political parties and pledged a new constitution will be drawn up next year, our Foreign Staff reports.

The announcement was made on Monday during a rally in the capital, Paramaribo, to celebrate the country's tenth anniversary of independence from the Netherlands.

When Commander Bouterse, a former army sergeant, seized power in 1980 he suspended the constitution and banned political parties.

Tim Coone in Tegucigalpa reports on a successful election campaign

Hondurans reject confrontation

IN THE Honduran capital on Monday night groups of flag-waving party militants gathered on street corners shouting "Callejas," a leading candidate in the country's Presidential election.

Armed soldiers sipped Coca Cola and fingered their automatic rifles outside the building housing the Electoral Tribunal, charged with adjudicating the results. Nearby, a military communications vehicle broadcast incoming election results across the country. The atmosphere, unusual for the country, of a democratic election, was effervescent.

With only 20 per cent of the votes still to be counted, the result is clear: Sr Jose Azcona, the leading Liberal candidate, will be elected the next President of Honduras, but Sr Rafael Callejas, the leading National Party candidate, has amassed the largest individual vote, and will lead a powerful opposition group within the National Congress.

The elections have been an important experience for Hondurans. No major fraud has been alleged, in spite of some irregularities, and voter participation has been widespread and eager. This promises to be the first time in Honduran history that a democratically elected Government, voted in under universal suffrage, will hand over power peacefully to another.

The election tribunal decided last Saturday to declare victory for the party which received the majority of the votes, rather than the individual candidate. Mr Callejas is being urged to challenge the result, close aides say, following his overwhelming personal victory at the polls.

The National Party candidate personally obtained 41 per cent of the total vote, while his party obtained 45 per cent. The leading candidate of the Liberal Party, Mr Azcona, gained 25 per cent of the vote and another Liberal, Mr Oscar Mejia



Supporters of Jose Azcona (left) the Liberal candidate, celebrate victory in the capital

Arellano, received 20 per cent. Two other Liberal candidates brought the combined Liberal vote to 51 per cent of the electorate, giving Mr Azcona the presidency and a majority, but a split, rebellious one, in the National Congress.

Mr Azcona faces a difficult task. He has to try to unify his splintered Liberal group in the Congress while facing a powerful National Party opposition. Projected results for the 133-member Congress indicate that he will have the support of 33 deputies, with 26 backing his Liberal rival, plus eight other Liberals from two other factions making a total of 67 seats. Mr Callejas has 56 deputies behind him plus five others of the National Party, for a total of 61 seats.

The Callejas group is likely to be more cohesive than that of Mr Azcona, being newer to politics and more faithful to their young and dynamic leader. Only two of the top 60 deputies on the National Party slate have been in Congress before.

Mr Azcona was a Minister in the Liberal Government of the present leader, Mr Fernando Suazo Cordova until 1983, when

a series of acrimonious disputes over the President's attempts to centralise both party and government power within a small group of associates led to deep divisions within the party. This resulted in four Liberal candidates contesting the Presidency. It is a weakness that the National Party is preparing to exploit.

It is likely that Mr Azcona will have to bargain if he is to form an effective government without reverting to the authoritarian style of his predecessor. Faced with a divided party and a weak economy, he has the additional problem of not having the same support in the armed forces as Mr Callejas, an essential power base.

Mr Azcona has said that he might be prepared to form a government of national unity, including in his Cabinet not only supporters of rival Liberal Party factions, but also people from Mr Callejas's National Party.

The two leaders are not far apart ideologically. Both are pro-American and look to the Reagan Administration for continuing military and economic support.

Both have campaigned on the promise of cleaning up the Government, improving its efficiency and putting an end to the corruption that has become an accepted part of Honduran political life, especially under present administration. Both politicians have ruffled feathers at the US embassy, having announced they would be prepared to enter into bilateral negotiations with Nicaragua, to which the US is opposed.

The success of the election, achieved without major incident, has surprised and pleased most Hondurans, conscious of and sobered by their history of military intervention. Only 18 months ago President Suazo Cordova's government brought the country to the edge of a military dictatorship, and it took a "barracks coup" within the armed forces to oust their feared chief and prevent it from becoming fact.

Although the final result awaits the decision of the National Party to accept or challenge Mr Azcona's victory, it seems that the government which will finally emerge will be formed by compromise rather than confrontation.

EEC split likely on Falklands

BY OUR UNITED NATIONS CORRESPONDENT IN NEW YORK

THE United Nations General Assembly yesterday opened its debate on the Falklands amid signs that Britain risked being even more isolated than originally expected.

Britain is already reconciled to a split in European Community support over a motion calling for renewed negotiations with Argentina. Before the debate it was known that France and Italy were no longer prepared to back Britain's hardline stance.

Yesterday it emerged that Greece and Denmark were also virtually certain to follow suit, as well as the two prospective members, Portugal and Spain. However, West Germany still appears reluctant to break with Britain on this issue.

According to the draft proposal offered by Algeria, Brazil, Ghana, India, Mexico, Uruguay and Yugoslavia, the British and Argentine Governments would

be asked by the General Assembly "to initiate negotiations with a view to find the means to resolve peacefully and definitively the problems pending between both countries, including all aspects on the future of the Falkland Islands (Malvinas), in accordance with the Charter of the United Nations."

UN Secretary General, Mr Javier Perez de Cuellar, would be mandated to renew his "mission of good offices in order to assist the parties in complying" with the request for negotiations. Britain rebuffed his earlier efforts and has repeatedly made plain its refusal to discuss sovereignty over the islands with Argentina.

Unlike a resolution that was approved by the General Assembly last year—by 89 votes to nine with 54 members abstaining—the new text does not mention the word "sovereignty," but it is still

unacceptable to the British delegation which considers that sovereignty is implicit in the phrase "all aspects on the future" of the Falklands.

The delegation led by Sir John Thomson, Britain's permanent representative to the UN, has proposed amendments to the draft resolution that would reaffirm the charter-given right of all peoples to self-determination and to determine freely their political status. The Falkland Islanders have resisted Argentine claims to sovereignty and Britain has repeatedly declared that it will be bound by their wishes.

The resolution adopted by the UN last year was drafted by Argentina and co-sponsored by a number of other Latin American countries. In a tactical shift, the Argentines this time are relying on the non-Aligned Movement to carry the ball.

Reagan summit performance boosts poll

PRESIDENT REAGAN'S approval rating among Americans after the Geneva summit is 11 points higher than a month ago, according to a nationwide poll, Reuter reports from New York.

The poll, conducted by the National Broadcasting Co

(NBC) and the Wall Street Journal after the US-Soviet Geneva summit, showed 67 per cent of respondents approved of Mr Reagan's performance. The October figure was 56 per cent.

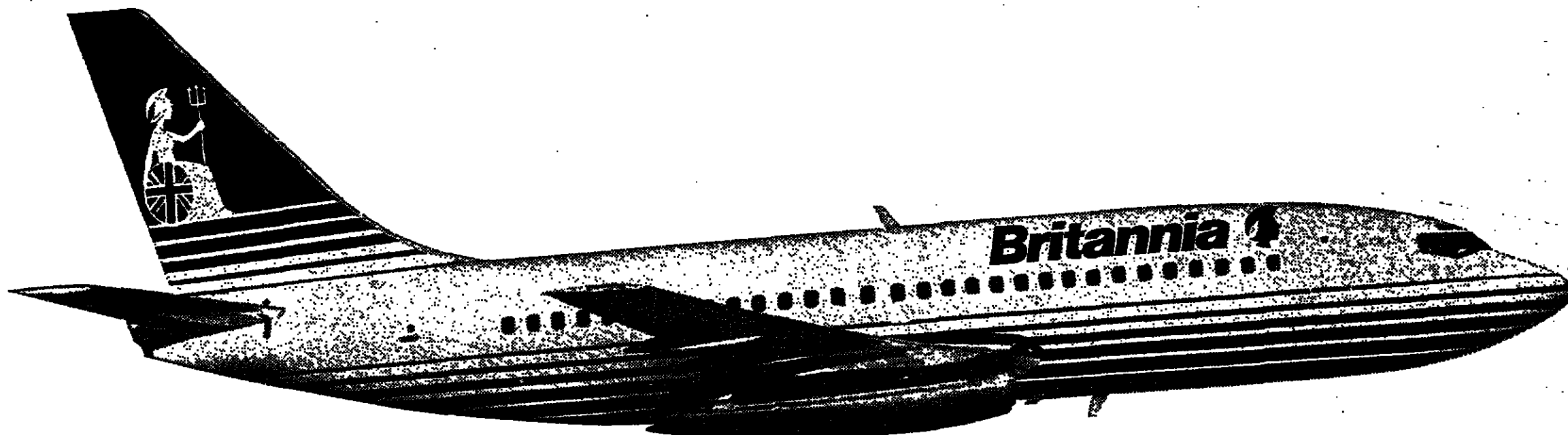
Mr Reagan's approval rating for his handling of foreign

affairs among registered Democrats jumped from 24 per cent in early October to 46 per cent on November 22-23, when the survey was taken. "It seems clear," NBC said in a press release, "that these sharp increases in the president's overall and foreign

policy ratings are related to the summit, because they do not show up in the way the public perceives his handling of the economy."

"Today, 50 per cent approve of the way he is handling the economy, an increase of only 5 per cent from early October."

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THE ECONOMIST March 24, 1984

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WORLD TRADE NEWS

Brazil and US remain divided on services

By William Dultforce in Geneva

THE US and Brazil yesterday squared up to each other over the contentious issue of whether trade in services is to be dealt with in new global trade negotiations. A tough exchange of positions between the two countries came as attempts by the European Community on the sidelines of the annual meeting of the General Agreement on Tariffs and Trade (GATT) to reconcile differences appeared to be getting nowhere.

The Community has been working for a consensus among GATT's 90 members on the establishment of a committee to prepare for the new round of trade talks.

Mr Mike Smith, the deputy US trade representative, told the second day of the annual meeting that services had become central to achieving GATT's economic objectives after their importance in world trade had grown dramatically.

Legally there was no barrier to negotiating on services within the GATT. Politically no country had anything to lose by negotiating on services. Institutionally GATT's members had a responsibility to address new challenges like services, Mr Smith said.

Mr Ferreira Martins of Brazil said talks on services could not be included in the new round before the General Agreement had been amended.

He also said negotiations on services would not be in his country's economic interests. They would not contribute to Brazil's development or growth but presented a serious risk of increasing its dependence on more developed economies, he said.

● Mexico formally applied yesterday for membership of the GATT and expressed the hope that its accession could be negotiated in time to allow it to participate in the new round of global trade talks scheduled to start next year.

Approval of applications is usually a lengthy process in GATT but Mexico had gone as far as negotiating a protocol of accession in 1979 before its government changed its mind and declined to sign. It is possible that this protocol can be taken as a starting point for the working party which will examine Mexico's trade policies.

ITC bans Dutch group from exporting fibre to US

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, has been forbidden to export its aramid fibre to the US for five years by the US International Trade Commission (ITC) on grounds of serious damage to Du Pont, a competitor.

The decision, which was not unexpected, could mean the loss of a potential 5-10 per cent market share in the US for Akzo's Twaron fibre, a super-strong fibre used in a variety of products, including bullet-proof vests.

Akzo said yesterday that commercial production of its

Twaron fibre would still begin shortly, with deliveries beginning in the first quarter of next year. The ITC's decision on Monday followed preliminary internal advice last summer to impose the ban.

Akzo and Du Pont, the American chemicals giant, have been battling over their aramid fibres for 10 years, with legal suits pending in at least five countries.

Du Pont filed the ITC complaint a year and a half ago, arguing that importation of Twaron unfairly would damage its competing Kevlar fibre

because Akzo allegedly had infringed on a Du Pont patent for the Aramid spinning process.

Akzo has also filed a court suit in the US alleging that Du Pont has infringed its patent for an aramid solvent.

Akzo said it would "spare no effort" in appealing the ITC decision to President Reagan who can rescind or amend it within 60 days. Barring that, Akzo will appeal to the US Federal Court, where a decision would be expected by mid-1987.

The import ban does not

apply to products that incorporate the Twaron fibre, such as airplane parts or high-performance tyres. Twaron is being made by Aramid Mantschappij, a joint venture of Akzo's Enka fibre subsidiary and a government-owned venture capital company.

The potential worldwide market for Aramid fibres has been estimated at \$3bn, with the US and Europe accounting for much of that. Akzo has said loss of the American market would delay Aramid Mantschappij's breakeven point until 1990 but would

not drive the Dutch company out of the market.

Akzo has committed about \$1.5bn for the research, development and start-up of Twaron, an effort that is part of overall corporate strategy to shift its product mix toward higher value-added products.

Du Pont, which has manufactured its Kevlar for nearly 18 years, has invested about \$1.4bn in the fibre.

Akzo threw down the gauntlet after Du Pont's announcement on Monday that it would build a \$65.7m

Kevlar factory in Northern Ireland. The ITC decision plus Du Pont's new Kevlar factory "in Enka's home market may lead to an intensification of the conflicts in the field of Aramid," the Dutch company said.

"Enka will consolidate its position in Europe as soon as possible and make every effort to have the ban on importation into the US lifted."

Meanwhile, court battles continue in the UK, Netherlands, West Germany and France.

Brazilian subsidiary of VW in truck talks

By John Davies in Frankfurt

VOLKSWAGEN, the West German motor vehicle concern, is hoping to sell its Brazilian-made trucks in the US in co-operation with Paccar, the US truck company.

VW Do Brasil, its majority owned subsidiary, has been holding talks with Paccar and the two companies are expected to sign a contract soon.

In addition to passenger cars, VW Do Brasil produces medium and heavy-weight trucks ranging between six and 21 tonnes. After taking over works from Chrysler in 1978, VW steadily expanded the range of trucks produced in Brazil, aiming at both domestic and export markets.

VW so far has declined to give details of the possible arrangement with Paccar, which could result in a useful breakthrough into a lucrative though hard-fought market.

The truck operation in Brazil has been a headache for VW in recent years because of its heavy losses.

As part of a rationalisation of its Brazilian operations last year, VW brought all its car and truck activities into a single company, 80 per cent owned by the West Germans, 10 per cent owned by Kuwait and 10 per cent by Monteiro Aranha, a local company.

Brazil is a key production area in VW's long-term world strategy, in view of its potential as an economical producer for export, and VW Do Brasil is Latin America's biggest motor vehicle concern.

With the local economy improving, VW has stepped up its Brazilian car production and more workers have been hired.

In addition to a large export deal to ship cars to Iraq, the Brazilian works have also landed a contract to supply the Chinese with 1,000 trucks.

Last year VW produced 5,600 trucks in Brazil, an increase of a hefty 68.3 per cent, but this was still well down on production a few years ago.

● AEG has won a DM 35m contract to equip 70 electrical trains built by Commonwealth Engineering (Comeng) of Australia for a new tram network in suburban Hong Kong. Reuters reports from Frankfurt.

AEG will equip the trains with power units and Comeng has taken an option for 40 more. AEG has received contracts to equip a total of 370 trams from Australian companies.

Nancy Dunne in Washington interviews the chairwoman of the ITC
Fierce free trader with a tough approach

INCREASINGLY and probably infuriatingly for the US Administration, Dr Paula Stern, chairwoman of the US International Trade Commission, is doing some plain speaking, outside the opinions she must render on hundreds of trade complaints each year.

After seven years on the independent, fact-finding commission, she has abandoned ITC tradition of not speaking out on policy questions, but she has not repudiated bi-partisanship. A Democrat, appointed to her post by the President only because it was a Democrat's turn for the job, Dr Stern displays an equal fervour in punctuating the political posturing of both parties.

It is all done very indirectly. Dr Stern never mentions that it is the Administration's macroeconomic policy which "has produced very distorted results." Nor does she say that it is Congress which has been squawking about "unfair trade" (a stance recently adopted by

the Administration with a vengeance) when she points out that unfair trade allegations touch less than 5 per cent of the imports brought into the country.

"The biggest problem in international commerce," she says, "is that there is not enough of it. And the biggest problem for the US as a trading nation is that we have priced ourselves out of the increasingly intense competition."

Meanwhile, the Commission she heads has been getting "a brutal working over" because of the lack of a coherent trade policy, she complains. Its case-load has quadrupled since 1981, but budget constraints have kept its staff size down to a 10 per cent increase. Investigators work 10-hour days to keep up with the explosion in trade litigation.

In accusations of unfair trade—dumping, subsidies, counterfeiting or patent infringement—it is the ITC's duty to determine whether harm has been

'Until monetary and fiscal conditions change... we cannot talk or even trade the dollar down far enough, fast enough to restore order to our global accounts'

done to US industries. When industries ask for temporary relief from imports, it is the Commission's job to recommend to the President what sort of relief ought to be offered.

Under the present Administration, the Commission's recommendations have often been ignored. The President, for example, spurned the ITC's recommendation by a four to one majority for quota relief on non-rubber footwear, and when a divided Commission gave him the choice of imposing quotas or increasing tariffs on copper, he turned down both.

In such cases, when the re-

Tariffs give little relief with the search and decisions made by Commissioners are virtually thrown out of the window, Dr Stern does not necessarily blame the Administration.

The problem is, she says, that by law the ITC can offer the President only three options: quotas, tariffs or trade adjustment assistance for workers. The legislation is bound to stir intense Administration opposition but support for change is widespread. Adoption of the plan would give new importance to the ITC and to its outspoken chairwoman.

To regain American competitiveness, Dr Stern recommends auctioning quota rights to importers. A recent ITC study showed that Japan earned \$5bn extra as a result of the higher prices resulting from motor vehicle restraints. Funds earned from auctioning "could represent significant seed money to plow back into honing our competitive edge," she theorises.

Dr Stern would like to offer the President a wider range of choices based on an industry's competitive position and its readiness to adapt. Sometimes, she says, the best way to help an industry is to ease environmentally regulations or anti-trust laws or change tax rules.

The chairwoman's suggestions have not gone unnoticed—nor was the Administration's reluctance to grant import relief. Recent legislation introduced by some of the most prominent

Senators in Congress would limit Presidential discretion in cases where the ITC has approved an industry labour adjustment plan.

In such cases, the President would have to grant relief at least equivalent to that recommended by the Commission, unless Congress approves less relief or none at all.

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Dr Paula Stern

Although Dr Stern has gained a reputation as a fierce free trader, she attacks with evenhanded energy protectionism and the failure to grant relief when it is needed. An industry can become "leaner and leaner, but if it gets too lean, it's going to die," she says. "I'm not one of your advocates of the survival of the fittest—but I do believe in competition."

China lures \$5.4bn foreign investment since 1979

CHINA has attracted \$5.36bn (£3.6bn) in actual foreign investment from the start of its open-door policy in 1979 to end-September 1985, the New China News Agency said, Reuters reports from Peking.

It said China signed contracts in the period for foreign investment worth \$14.7bn in 1,897 joint ventures, 3,408 co-operative firms and 109

foreign-owned companies. More than \$1bn of foreign money was actually invested in the first nine months of 1985, 62.6 per cent up on the year-earlier period.

The agency said Guangdong province attracted \$548m in foreign investment in the first 10 months of 1985, 45 per cent up on 1984, but did not say if the investment was planned or actual.

Paris acts cautiously on new Airbus range

BY DAVID MARSH IN PARIS

THE FRENCH government is taking a cautious line over financing the development of a proposed new range of European Airbus airliners, partly because of the squeeze on budget spending.

M Jean Auroux, the French Transport Minister, said yesterday the Government had "no objections" over possible financing for the twin-engine short-to-medium range TA-9 and the long-range four-engine TA-11

which the Airbus consortium hopes to bring into service in the early 1990s.

But he stressed that there was no need for any "precipitation" to go forward with the project. A decision would be made only after a full examination of the markets for the proposed aircraft, he said.

M Auroux said he had discussed possible Anglo-French backing for the new airliners at the summit meeting with

British ministers in London last week. Further talks on the subject would take place soon.

French and West German ministers gave general support to the new Airbus projects at the Franco-German summit in Bonn a fortnight ago, although concrete details have not been decided.

M Auroux was speaking at the signing ceremony for an order for 10 narrow-body A-320 Airbus

airliners to be delivered to the French domestic airline, Air Inter, from 1988 onwards.

Airbus Industrie, owned by Aerospatiale of France, Messerschmitt Boelkow Blohm of West Germany, British Aerospace and Casa of Spain, is hoping that definite decision on building the two new airliners can be taken in 1986-87. Development costs for the two aircraft are estimated at around \$2bn.

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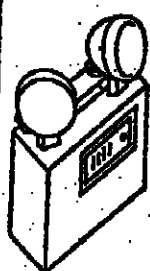
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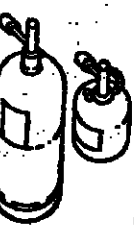
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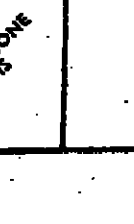
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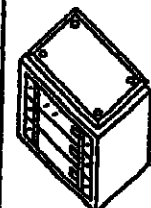
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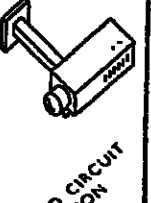
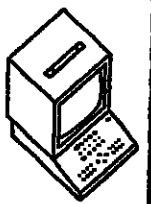
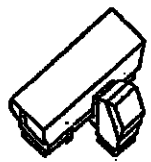
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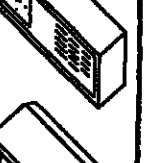
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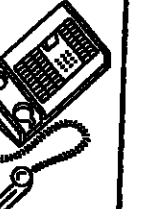
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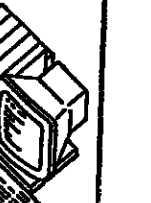
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UK NEWS

Estimates suggest five-year delay to Nimrod radar development

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

GEC AVIONICS has told the government it cannot complete development work on the controversial Nimrod early warning aircraft in less than three years.

The company has also quoted a minimum of £250m for the fixed-price contract that would bring the total cost of the 11 Nimrod aircraft to more than £1.2bn. It would mean that the aircraft would enter service with the Royal Air Force some five years late, and at a standard considerably below the original RAF requirement.

Mr Jack Pateman, managing director of GEC Avionics, which is responsible for finishing the complex radar and avionics system of the

The main production contract for the new Sting Ray torpedo has been held up for nearly a year, while there are also uncertainties on the contract covering the continued development of the heavy-weight Spearfish torpedo.

On Nimrod itself, the company has agreed, under pressure from Mr Levene to a fixed-price contract for the completion of the development work for which it will, most unusually, not be paid until the avionics system is working to the RAF's satisfaction. However, if the Government accepts GEC's estimates, it will face costs which are more than double its own estimates for finishing the development.

Earlier this year, Air Chief Marshal Sir John Rogers, who as controller, aircraft, is responsible for the programme in the MoD, told the House of Commons defence committee it would cost an additional £70m-£100m to bring Nimrod to what the RAF terms an initial operating capability.

If the RAF was to insist on its original specifications, officials believe additional costs of £300m-£400m might be involved. It is those figures, which appear to be threatening nearly to double the already inflated cost of Nimrod, that are said to be causing official questioning of the advisability of continuing with the Nimrod project.

GOVERNMENT COMMITTED TO REDUCING TAXES

Lawson denies reflationary shift

MR NIGEL LAWSON, the Chancellor of the Exchequer, said yesterday that the scope and timing of possible tax cuts remained uncertain and denied that his recent autumn statement on the economy reflected a shift to a more reflationary fiscal policy.

In evidence to the House of Commons Treasury and Civil Service Committee Mr Lawson said the Government was committed to a gradual reduction of the tax burden. The extent and timing of such reductions, however, would depend on the scope available "consistent with prudence and caution."

The Chancellor, in acerbic mood during two hours of questioning by

MPs, dismissed criticism of his decision to drop from the statement any indication of the amount of cash which might be available for tax cuts in the next budget.

The "fiscal adjustment" figure included in previous years was a forecast on which no decisions were based. "It was more trouble than it was worth," he said.

In the Medium-Term Financial Strategy published alongside this year's budget, the Chancellor envisaged possible tax cuts of £3.5bn in 1986.

Lower oil prices and a stronger pound, however, which cut the Government's revenues from the North Sea, have put a questionmark over

that figure, particularly as the Treasury itself appears to be anticipating a further fall in oil prices.

The general view among City economists is that tax cuts of only £2bn to £2.5bn may be possible unless the Chancellor is planning to push up the public-sector borrowing requirement.

Mr Lawson went out of his way to dismiss suggestions that the rapid acceleration of the privatisation programme announced in the state-ment represented a loosening of fiscal policy. The statement, he said, carried "no implication for the stance of fiscal policy either next year or beyond."

The Chancellor declined, how-

ever, to give any indication of whether he would reduce public borrowing by an equivalent amount to offset the impact of the faster privatisation programme.

Asset sales, he said, were just one of a range of factors which would be taken into account when he decided the level of public borrowing.

Mr Lawson also dismissed a recent study by two senior Treasury economists which suggested that over the medium term public borrowing might be increased to take account of falling oil revenues.

The study, published in the magazine, represented "an interesting conceptual approach to a question of significance."

Effort to speed up inquiries into Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

THE GOVERNMENT and the Fraud Investigation Group at the office of the Director of Public Prosecutions (DPP) intend to discuss today the progress of investigations into alleged irregularities in the Lloyd's London insurance market.

Sir Patrick Mayhew, the Solicitor General, is discussing the Lloyd's cases with the Fraud Investigation Group in an effort to speed up the investigations. The Fraud Investigation Group comprises police officers, members of the director's professional staff, accountants and specialist lawyers.

In parliament this week, Sir Patrick detailed a series of difficulties the authorities had encountered

in investigating the events leading up to allegations that \$55m had been misappropriated from Lloyd's interests of Alexander Howden, the insurance broker, and \$40m from PCW, the underwriting agency that looked after the affairs of 1,525 members of Lloyd's.

The money was channelled to numerous offshore centres. Sir Patrick had been replying to questions in parliament by Mr Brian Sedgemore, the Labour MP.

Sir Patrick said that despite the very considerable financial and manpower resources spent on the cases, "serious delay has been imposed upon the progress of these investigations by the necessity of securing, in a form admissible in any

criminal proceedings in England, evidence which hitherto has only been available from witnesses located within the jurisdiction of a foreign state."

He said there was insufficient evidence available "to justify certain criminal proceedings or an application for extradition of any person on certain grounds." No power exists, he said, whereby investigators in Britain may compel the production of the necessary evidence.

Investigators depend in such cases on the assistance of the authorities of overseas countries "who themselves, however much they wish to assist, are bound by their municipal rules." These rules relate to the granting of immunity

from civil suits brought within their own jurisdiction, for example for breach of confidentiality.

"Nevertheless," Sir Patrick said, "in the present cases a way is vigorously being sought in overcoming the problems I have mentioned connected with securing evidence within a foreign jurisdiction."

The Fraud Investigation Group was formed to examine the Howden and PCW affairs when they were referred to the office of the DPP in 1982. Since then, the group has been trying to locate over a million documents in connection with the investigations, which are scattered around the world.

Some of the records are understood to have been destroyed.

Angry Maxwell aide quits Mirror group

BY JOHN LLOYD, INDUSTRIAL EDITOR

SIR TOM MACPHEE, a director of Mirror Group Newspapers and special adviser to Mr Robert Maxwell, the MGN chairman, resigned from the group last night.

It is understood that Sir Tom was angry and bitter over the lack of consultation between Mr Maxwell and other directors of MGN, particularly in the recent industrial dispute involving the print union Sogat 82.

A settlement of the dispute, which kept most copies of the Mirror off the streets on Monday morning, was achieved on Tuesday night - but Mr Maxwell's demand that 2,000 of the Mirror's 6,000 jobs must

go remains to be negotiated by the unions.

Sir Tom is also said to have had deep disagreements with the MGN chairman over politics - although not to the extent of disagreeing over which party the group newspapers should support. Mr Maxwell has said that Mirror papers will support the Labour Party at least until the next election.

Sources within the group say that Sir Tom felt he had been hired by Mr Maxwell as a bridge between the group and the Labour Party, and now he was no longer required, his advice was ignored.

At the same time, Mr Joe Haines, who is the Mirror Group's political

editor, is now on the Mirror board and has taken an increasingly powerful role. He wrote an editorial in the Mirror yesterday speaking of the "Fleet Street" group train hitting the buffers (although the editorial was signed by Mr Maxwell) and he was involved in negotiations with Sogat 82.

Sir Tom, whose title was director of public affairs, would not comment last night on the reasons for his resignation. He said: "I have enjoyed my period at the Mirror Group and now I shall be looking for a new job."

He was a long-serving government press officer who became chief press secretary to Mr James

Callaghan when Prime Minister in 1976-78, then he served as his chief of staff in opposition until Mr Callaghan stepped down as Labour leader in 1980.

He played the same role for Mr Michael Foot when he was Labour Party leader, leaving for the British Printing and Communications Corporation - the MGN parent group - after the general election in 1983.

© Sir Leo Plafsky, formerly a senior civil servant at the Treasury, is to step down as a non-executive director of British Airways after five years on the BA board. Mr Nicholas Ridley, Transport Secretary, said he had accepted with regret Sir Leo's decision to resign.



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First loss posted by Apricot at £4.6m

BY JASON CRISP

APRICOT Computers, the leading British supplier of personal computers for business, made its first loss in the six months ending September 30.

The once high-flying group made a £4.6m pre-tax loss, on sales which rose 34 per cent to £28m, after substantial stock write downs and problems in West Germany and France.

The company confirmed yesterday that it was making about 120 people redundant and was closing its West German distribution subsidiary.

It is also dropping two models at the bottom of its range as part of a move to improve margins.

Apricot is to make its products compatible with IBM's personal computers next year. This marks a significant change in policy and acknowledges the domination of IBM and IBM compatible personal computers in most of the world.

The biggest single problem, predicted by the company in September, was the failure of its portable computer which has resulted in a stock write down of £5.1m. The dropping of the two other products meant a further write down of £775,000. Redundancy costs amount to a further £500,000.

Apricot's attempt to reduce its dependence on the UK market with a big effort in West Germany and France resulted in losses of £1.5m. The closure of its German distribution company will also cost £1m.

The company also made losses of nearly £250,000 in its retailing joint venture with Tandy, AT Computer World. It has 33 stores in the UK dedicated to selling the two companies' products and accounts for nearly 15 per cent of Apricot's output of personal computers.

Apricot's shares have tumbled this year from a peak of 280p to a low of 48p since it became clear in the early autumn that it could not sustain its meteoric growth.

Squeeze on Apricot, Page 12

Hambros to take stake in property agency

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

HAMBROS is stepping up its exposure to property and to the retail financial services market with an agreed bid for Balfour Eves, the quoted residential estate agency. The deal values the 137-branch agency network at nearly £77m.

The UK merchant bank has been searching for new business opportunities since May 1984, when it paid £5.4m for a majority stake in Sida Holdings, a private property investment company, and this month acquired a 75 per cent stake in Cunningham Hart, the loss adjusters. Hambros also owns 29.9 per cent of Strauss Turnbull, the stockbrokers.

Hambros will purchase up to 80 per cent of the issued equity in Balfour Eves, the first UK estate agency to obtain a stock exchange

listing. A minimum 20 per cent of the share capital will remain with existing directors and employees, although Mr John Balfour, the chairman, who is also chairman of Queens Most Houses, the hotel group, is retiring.

Hambros is offering five limited voting shares plus £4.30 cash for every nine ordinary shares in the agency business, valuing Balfour Eves' shares at 151.8p each, against Monday's suspension price of 153p. Shareholders wanting all cash can take an alternative offer being made by Sterling Guarantee Trust, the P & O property subsidiary.

Acting in a new role as underwriter, for which it will receive options on 3m voting shares, SGT is offering an equivalent 145p cash, committing it to a maximum cash payout of £38m.

WORLD TRADE NEWS

GLOBAL COMMENT DAILY IN THE FT

Leadership of TUC offers cash for ballot

By Philip Bessett, Labour Correspondent

LEADERS of the Trades Union Congress (TUC) have offered to meet the ballooning costs of Ucat, the construction workers' union, rather than to see it defy TUC policy by applying to the Government for money to fund its internal voting.

Leaders of the Union of Construction, Allied Trades and Technicians said yesterday that they would attempt to raise the issue at today's meeting of the TUC general council. That would be to try to move the TUC more quickly towards altering its policy of blanket opposition to the Government's labour legislation.

Disclosure of the offer of money to dissuade Ucat from applying for money is likely to be seized upon by those unions opposed to the TUC's stance, who may see it as a sign of desperation in some union circles on the issue.

The AUEW engineering workers and EETPU electricians are facing the prospect of disciplinary action, including suspension, if, as expected, membership ballots by the unions support defiance of TUC policy. Mr Gerry Russell, senior AUEW executive member, said yesterday the TUC was "getting itself into a ridiculous position."

Ucat made clear at the TUC's annual congress in September that it intended to follow the AUEW and EETPU in applying for government funds to cover the £100,000 cost of an election - required under the Government's 1984 Trade Union Act - for a union executive seat. Voting in the election started this week.

Mr Les Wood, outgoing Ucat general secretary, said yesterday that the offer had been made to the union at the same time. "An undertaking was given that should any union find itself in financial difficulty as a consequence of the law, then, rather than accept the money, they should put a formal request to the TUC for help, which would be properly considered in a brotherly way."

The TUC acknowledged yesterday that the possibility in Ucat's case of some financial assistance had been raised.

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UK NEWS

The squeeze that caused Apricot to change direction

BY JASON CRISP

APRICOT Computers has had to take drastic action. Once one of Britain's fastest growing and most successful companies, Apricot announced yesterday a pre-tax loss of £4.8m for the first half, the closing of its West German subsidiary and over 130 redundancies.

As a result of its difficulties, Apricot - the second largest supplier of business personal computers in Britain - has had to make a number of changes.

● A rapid move towards IBM compatibility which Apricot hopes to achieve in the second half of next year. IBM and so-called IBM clones made by companies like Olivetti and Compaq are increasingly domi-

nating the personal computer market. As a result, all the software companies produce their programs to run on IBM PCs first.

● A target of a static or small growth in turnover next year with a priority on improving profits. This is a substantial change because, until recently, the company nearly doubled turnover every year.

● A cut in its product range by half. Apricot was selling about 14 different versions of its personal computer. This is being reduced to seven.

● Part of this reduction is its withdrawal from the low end of the market. Dealers will be told this week that Apricot will no longer sell the

basic F1 and F1e computers, which cost below £1,000.

● A reduction of ambitions for overseas markets. Losses in West Germany and France and a disappointing performance of Apricot Inc in the US has led the company to revise its expectations.

These changes have only partially reassured City of London analysts who suspect Apricot is putting its house in order in the hope of a friendly takeover or merger. There have been several rumours of companies showing an interest.

The result of these changes is that Apricot is in danger of becoming the very company its managers wanted to avoid - a largely British-

based IBM clone - without the benefits of the economies of scale enjoyed by international rivals such as Olivetti, Compaq and a number of Japanese companies.

Apricot - which used to be called Applied Computer Techniques - is unlike Acorn and Sinclair Research, the once high-flying British home companies which found themselves in difficulties earlier this year. Apart from being firmly in the business market, Apricot was always recognised as a professionally managed company with a conservative attitude to finance and financial controls.

Apricot, which was founded in 1963 as a computer bureau, diversi-

fied into computer stationery and then into distribution with the UK rights to one of the first powerful 16-bit micros to be produced into the US.

The company, worried about the future of Victor Technology, its US supplier, and not wanting to be limited to the UK, developed its own personal computer and started manufacturing in Scotland.

Apricot has been successful until recently initially with Victor's Sirius computer and then with its own Apricot range. For some time, Apricot had an equal market share in the UK with IBM, which dominates the world's personal computer markets.

This year Apricot's position in the UK has slipped a long way behind IBM, although it still has a healthy 20 per cent market share. Apricot's great strength has been in selling to small business, while IBM has had greater success with large corporate accounts.

Apricot's apparently sudden problems started last summer. The main reason was a sharp slowing in the European markets, which instead of doubling in size every year fell to a growth of about 30 per cent. On top of that, Apricot has faced a squeeze of its share from both IBM and its other rivals.

Apricot has also had a number of other problems, which are more to

do with its failure to break into new markets, particularly West Germany and France, rather than the slower growth, losses in those two countries amounted to £1.5m.

In January it bought Besenhard, a well-established distributor in West Germany which operates from Frankfurt. Within months it closed that operation and this week Apricot shut its own distributor, based in Munich, at a cost of £1m. It has now secured sole West German rights to Altom.

An ambitious joint venture with Tandy, the US electrical retailer, to produce Europe's chain stores selling the two companies' products was cut back sharply, but even so

has caused unexpected losses of about £250,000.

The launch of portable computers also proved to be a disaster and accounts for about £5m of its £5.8m stock writedown announced yesterday. The remaining £200,000 writedown is on the F1 computers.

The company venture into the US has also had poor results. It owns only 19 per cent of Apricot Inc which was set up with \$20m, mainly from outside investors. Its move into the US was always recognised as being difficult and coincided with a sharp downturn in the market. Ambitions to sell large volumes were quickly abandoned.

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UK NEWS

Focus of industrial relations 'shifting'

By John Lloyd, Industrial Editor

BRITISH INDUSTRIAL relations are now "following a new course from which they are unlikely to be diverted," according to Sir Adrian Cadbury, chairman of Cadbury Schweppes.

Sir Adrian, giving the Hinchey lecture to the Institute of Management Studies last night, said industrial relations had changed fundamentally in being focused now on the sale or business unit, rather than the company. British companies had reached a recession, and to much stiffer foreign competition, by cutting staff, reducing centralised services and controlling fewer activities from the centre.

Employment law changes had increased the power and range of choice of the individual against that of the union, he said.

Managers have also acquired a greater degree of influence over the units for which they are responsible, since they are dealing more directly with those who work for them.

Multi-union structures in plants prevented the growth of a "working community" ethos to the benefit of the plant. Single-union agreements now encouraged such an ethos by treating the workforce as a whole, and were thus "in line with the management structure which has emerged from the competitive pressures of the marketplace."

Economic pressures and technology had altered working lives and those changes would not be reversed. "They are reinforced by a third force, the determination of individuals to exercise more control over their own lives. The shift in the focus of power is from institutions to the units within them and from collective organisation to individuals, rather than from shop floor to management," he said.

The move to a unit-based organisation means that those who work in such units have close links and can identify directly with the aim of the enterprise; above all it offers them the prospect of more control over their working lives, which is why it will prevail.

"In this new pattern of working may lie the best hope of reversing this country's relative, but relentless, economic decline and of meeting the aspirations of individuals, whether as employees or consumers."

Gas price dilemma for Government in privatisation plans

By Max Wilkinson, Resources Editor

AN EMBARRASSING complication in the Government's plans to privatise British Gas next year is that gas prices are likely to rise quite steeply in the next few years.

This is in marked contrast with the position for British Telecom, where increased use of computers can be expected to yield large productivity gains far into the future.

Efficiency gains for British Gas are likely to be limited. Although there is certainly room for improvement it has far less overmanning than the National Coal Board or British Rail.

The main influence of costs will be the price of North Sea gas. In 1984-85, the average was 16.3 p per therm, about equal to all other operating costs including depreciation charges. Wage and salary costs amounted to only 6.6 p per therm or 19 per cent of all costs.

The average cost of North Sea gas is still well below the marginal cost which British Gas is having to pay in contracts from new fields. This is probably about 25 p per therm.

British Gas still has the benefit of large supplies of cheap gas from the southern basin of the North Sea where prices have been 5 p per therm or below. As these cheap supplies run out, the average cost of gas will inevitably rise towards the marginal cost by the early part of the next decade.

In the longer term, all gas prices are likely to rise as exploration moves into deeper water and more remote fields.

This puts the Government in a dilemma. To obtain the highest price for British Gas, it should advertise that prices will be allowed to rise steeply in the next few years to anticipate these longer-term trends.

This would be fully justified by economic arguments, for under a free competitive market, prices would tend to rise to equal marginal costs in this case closely related to North Sea gas prices. Despite some relative increase in gas prices, they are still probably some 15 to 20 per cent below this "economic level."

British Gas, however, has tended to keep prices down. This helps the corporation's image and allows it to maintain its market share against electricity.

The objection to this policy is that it may give the wrong pricing signal to customers: they may buy capital

equipment to take advantage of cheap gas today, then find they are locked into relatively expensive gas in a few years' time.

The Treasury has used this argument to try to push up gas prices. But political pressures, including those from British Gas, have held down the last two tariff rises to about the rate of inflation.

When the corporation is privatised, however, it will have a duty to shareholders to maximise profits. This should, in theory, increase its incentive to raise prices in real terms, although it is by no means clear that a management steeped in the ethos of public service will want to do this.

There is therefore a good argument for allowing the regulators of British Gas wide latitude to sanction price rises to bring the average price more into line with marginal costs.

On the other hand, one of the claimed benefits for privatisation is that it will make nationalised monopolies more efficient. The public will find this hard to square with steep price rises.

The outcome is likely to be a compromise in which the corporation is allowed to pass on increases in its average gas cost. As that cost moves more closely in line with the higher marginal cost of gas from new fields, the economic imbalance will diminish.

This has an important implication for the Government's ambition to make it easier for any North Sea producer to use British Gas's pipelines if it wants to supply directly to a large industrial customer. Under proposals being discussed in Whitehall, British Gas would be obliged to top up this supply at times of peak demand and to buy in any surplus.

An unresolved issue is how prices should be set in such a case.

The other decision for the Government is whether to free the market for natural gas in the North Sea. At present, tight import and export restrictions give British Gas almost complete power to accept or reject gas supply offered by an operator and to set its own price, within limits.

This gives the corporation a large measure of control over North Sea depletion policy, which many argue would be inappropriate for a private company.

Ex-Laker employees to seek reparation

By Michael Dornier, Aerospace Correspondent

BRITISH AIRWAYS and other transatlantic airlines must face yet another hurdle before the claims of the Laker Airways collapse in early 1982 are finally settled. It is an action in the US for compensation from the Laker Airways estate. Efforts to seek some compensation have been initiated by several former pilots of the airline, who have discussed the situation with Sir Robert Beckman, the US lawyer who represented Sir Freddie Laker in the long and complex process of settling both the Laker Airways' own claims for compensation and the US anti-trust suits against the airline.

The pilots, representing an organisation called the Association of Laker Employees (ALE), feel that everyone against the airline has got something out of the Laker collapse, including passengers who claimed compensation for loss of cheap flights, but not the pilots.

The airlines got out of the US anti-trust suits. Sir Freddie Laker himself got \$2m, the Laker Holidays got \$48m, and Mr Beckman and other US lawyers also received substantial sums.

Recently, also British Airways said that together with Pan American and Trans World Airlines, it was setting up a \$30m coupon fund to reimburse passengers who had started class actions in the US against the airlines, alleging loss of cheap Atlantic air travel following the Laker collapse. The pilots argue that so far the employees have had little or nothing.

James McDonald writes: Virgin Holidays, a new package tour operation established within Mr Richard Branson's pop and travel group, is offering introductory holidays to Florida and to New York.

With the provision of a licence to fly to Florida from the UK, Virgin will operate two Boeing 747 airliners on the route. Virgin Holidays expects to carry about 12,000 to the US next year, the majority to Florida.

Mr Malcolm James, chief executive of Virgin Holidays, said in London yesterday: "Florida represents enormous value for money - much better than any other US state."

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Financial Times Wednesday November 27 1985

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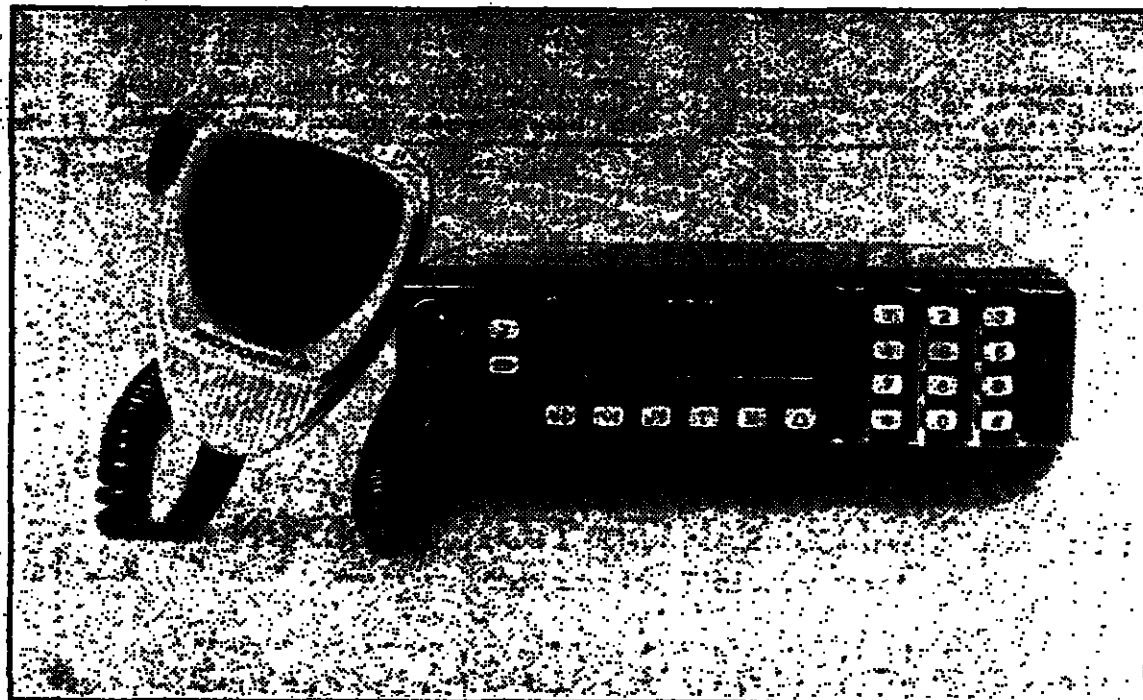
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THE MANAGEMENT PAGE

Elf Aquitaine

A strategy for when the gas runs out

David Marsh on the French oil group's development capital role

FOR 15m trout growing up in a complex of electronically controlled breeding ponds in south-west France, FFR 5m (\$440,000) worth of funding from Elf Aquitaine is a matter of life and death.

The cash put up in low-cost loans from the French state-controlled oil and chemicals group has helped the FFR 70m (\$6.1m) turnover Salmons company grow into France's biggest fish breeder.

With 3,000 tonnes of trout planned to be produced this year, Salmons, set up in 1975 in the Landes region between Bordeaux and Biarritz, accounts for about 10 per cent of all the trout eaten in France.

In the company's highly-automated and surprisingly unsmelly processing plant, the fish are slaughtered using 90 volt electric shocks and carbon dioxide. Salmons products are delivered by refrigerated lorry deliveries using autoroutes and account for one-fifth of the trout consumed in Paris. Now the company is making a big effort to expand its production of large trout, with a flavour rivaling that of salmon, and to compete head-on with large-scale smoked salmon imports into France from Norway.

Salmons is one of roughly 600 companies, mostly from the Aquitaine region of south-west France, which have benefited from Elf Aquitaine financing over the past decade in a marriage between oil money and regional small and medium-sized businesses.

Elf's loans, carrying interest rates about four percentage points below market rates, have directly created or kept in place a total of 13,500 jobs, with another 4,000 planned to be created over the next three years under funding programmes already in place.

With total commitments of FFR 740m (\$65m) and a funding budget of FFR 100m to FFR 110m this year, due to rise to FFR 125m in 1986, Elf's industrial development subsidiary Sofrea, set up in 1978, has the financial muscle of a regional bank. Its overriding aim, however, is not to reap financial returns but to try to build up

an infrastructure of high-performing small businesses in the south-west to prepare for the day when Elf's Lacq natural gas fields in the Landes run out. The Lacq deposits, discovered in 1951 and put into service from 1956, have been a major source of prosperity for Elf. With net group earnings of FFR 6.5bn last year, it is easily France's most profitable company.

Production will gradually be run down between now and the end of the century. This puts at risk 2,000 jobs on the site as well as those of perhaps 50,000 other people who rely, directly and indirectly, on business and employment with Elf throughout the region where the company also has important petrochemical and pharmaceutical activities.

"We know that around 1990-1995, a whole industrial complex will be on the way out," says Paul Dumontier, assistant director of regional development at Elf and vice-chairman of Sofrea. "We have been pre-occupied about this since 1972. We have attracted a lot of families to the region and created many jobs. If we cannot offer direct replacement work for the parents, we have to be capable of coming up with jobs for their children."

Image

Elf's interest in the industrial structure of Aquitaine is not simply altruistic, he points out. No large company in France can make lay-offs unless it takes action "to reduce the inconvenience," Dumontier says. Elf has its own interest "in avoiding social conflicts" and in generally looking after its image as a responsible employer.

That necessity is becoming more acute for Elf and other big private and public sector companies — many of which have now also set up their own development subsidiaries — in other parts of France hit by unemployment.

Elf has been forced increasingly to focus its job creation efforts outside its main target area of the south-west because

it needs to make efforts in other parts of the country where it is closing down capacity.

These include, above all, areas where Elf is reducing refinery activities because of overcapacity in the industry — at Valenciennes in the north, Donges in the west and Feyzin near Lyons in the south-east. Putting money into businesses around Feyzin accounts for 25 per cent of Elf's budget this year with 60 per cent in the south-west and 15 per cent elsewhere. Next year however the south-west will make up only one-third of the budget with the rest devoted to unemployment blackspots elsewhere, including places where Elf is planning jobs in its Atochem petrochemicals operations.

Sofrea acknowledges that one factor diluting its concentration on the south-west — where unemployment is relatively low compared with depressed regions like the north and the steel region of Lorraine — is pressure from politicians to intervene elsewhere ahead of the March 1986 general elections.

Patrick Batut, the Sofrea secretary general who runs the organisation's 13-person regional headquarters at Pau near the Pyrenees, says wryly that Sofrea's main problem cases in the past have often sprung from companies in which it was pushed to invest by political pressures. Dumontier admits that, for about 10 to 15 per cent of loan dossiers that Sofrea takes on, "we will never see our money back."

Dumontier maintains that the relatively low failure rate is explained by Elf's thorough preparatory examination — including a full audit — of individual loan dossiers. Also, "we are only interested in companies in good health," he says, adding that normally it lends only to companies which have already had a solid balance sheet over three years. However, he admits the failure rate may rise by a few percentage points above 10 to 15 per cent in the future now that Elf is spreading its activities progressively into less prosperous

regions than the south-west.

Other prosperous companies in the region in which Elf has invested include Lectra Systèmes, a Bordeaux-based company which has won a worldwide reputation in using lasers in the textile industry; Michaud, France's biggest honey merchandiser which trades under the Lane de Miel marque; and Satis-CML, which makes plastic tennis racquets.

An indication that Sofrea has built up to cruising speed is that half its annual budget is financed from repayments of previous loans. Several companies — led by Lectra, which has been funded several times by Sofrea — have come back to Elf for further tranches of loans to back expansion plans.

Partly through a network of contacts with banks and chambers of commerce, Sofrea has now no difficulty in finding funding opportunities.

Batut says Sofrea normally meets about 70 per cent of loan requests. It often supplies only about 10 or 20 per cent of total financing for business projects but plays a "multiplying role" by eliciting support from banks, government development agencies and venture capital concerns. Sofrea also makes available technical assistance for small companies from Elf's laboratories and research centres.

Sofrea only very rarely takes direct stakes in companies. This is because Elf wants to avoid direct shareholder responsibilities in cases where the business gets into trouble. Additionally, says Batut, a mass of Elf participation could lead to an even greater hold of the company over the economy of the region. "This is exactly the opposite of what we are trying to achieve," says Dumontier.



Packing salmon at Salmons' Elf funded fish farm

Aeronautical connections

AQUITAINE will next year host France's only plant making large titanium castings for aero-engines and aircraft frames, thanks in part to FFR 10m (\$880,000) in financing from Sofrea.

Precision Castparts Corporation, the US company which is a world leader in making specialised casting for commercial and military aircraft, chose south-west France for its first factory in continental Europe mainly because of the concentration of France's aeronautics industry in Toulouse.

Last year PCC took over the titanium activities of a local foundry company, Messier d'Arudy, near the Pyrenees. It chose the village of Ogen, 25 kilometres from Pau, for the site of its new factory, mainly because Edward Cooley, chairman and founder of the Portland-based company, found the surrounding countryside reminded him of his native Oregon.

Sofrea's contribution to financing the plant — where building work has been under way since September — and which is due to start service next April — includes a FFR 250,000 capital stake in PCC's French subsidiary.

Because of the strategic nature of work PCC will be doing for French companies, particularly the state-controlled aero-engine group Snecma, the Ministry of Defence insisted that French institutions should have a token 5 per cent stake in the capital of PCC France. Regional and state authorities are making great efforts

to attract foreign investment into France these days and the bulk of the FFR 59m (\$5.2m) investment needed to build and equip the Ogen plant will be met by subsidised loans. PCC will also be putting in around FFR 40m in working capital to tide the plant over until it starts making profits, in which, it is reckoned, will be in 1989.

The factory will make castings for engines, for the Mirage 2000 fighter jet and the narrow body A-320 Airbus and aims to build up to employment of 200 in three years' time, sixty people are already employed by PCC at Arudy. It will also provide parts for the new Franco-German military helicopter and for missiles built by Aerospatiale.

The PCC investment follows Sofrea's FFR 60m contribution to the financing packages for audio and video cassette plants built by Sony of Japan at Bayonne and Dax, which have also benefited from substantial low cost loans.

Daniel Girardot, director of the PCC factory, says Sofrea played a vital role in co-ordinating the over two and a half years — participations from regional development bodies in the Ogen project. Bernard Poissonnier, the commercial director, adds that the setting up in Aquitaine of a titanium castings source — adding to PCC's existing factory in Sheffield — will reduce the European aircraft industry's dependence on US imports. "Now that there will be a reliable source within Europe, it should have a big impact on the industry."

Rigours of fish farming

TIGHT CONTROL of stocks, computerised feeding methods and attention to marketing are the key to 10 years of growth at the Salmons trout company. With five breeding complexes such as the one at Mezos south of Bordeaux, Salmons and its associated company, Salmonides, employ 125 people.

Set up in 1975 by Raymond Tachon, a former agricultural dealer, the company prides itself on rigorous vetting of its fish population which means in oxygenated pools: it can take 24 years for fish to grow into the 3 kilo heavy weights which will be destined for the smoked market.

Out of this year's planned production of 3,000 tonnes of fish, 2,000 tonnes will be sold fresh, with 700 tonnes frozen and the rest smoked. French fish are primarily for the Paris market where the company takes orders up until 11 o'clock in the morning for next day delivery.

Since 1980, Salmons has made a major effort to breed larger trout suitable for smoking to avoid the effects of a possible price slump for the standard 220 gram variety of fish caused by alleged "dumping" by foreign producers.

Jean-Pierre Bequery, the enthusiastic gum-boated managing director, points out the adaptability of trout to production — fine techniques. The fish readily slip in and out of cooking and weighing machinery on their way to collective slaughter — boxes. "You couldn't handle chickens this way," he says.

Bequery admits that life of a fish farmer is not a relaxed one. "You are living on a volcano, you never sleep well," he says, pointing out the ever present dangers of pollution, failure in the oxygenating units or mystery illnesses.

The company's finances have been hit by the need to make massive vaccinations of up to 8m fish at a time over the last few years against the dreaded "red mouth" disease spread by contaminated US fish eggs. But Salmons is hoping to be firmly in the black this year on turnover of FFR 70m to FFR 80m (\$6.1m to \$7m), up from FFR 50m in 1984.

Management abstracts

Free-floating chair, H. Buttery in *Designers' Journal* (UK), May 85 (5 pages)

The latest attempt to develop the most ergonomically-sound office chair has led to chairs with free-floating backrests ("intended to move with and support the sitter when upright or reclining"). Presents various models and offers informed comments from an architect, an ergonomist, a VDU operator, and designer, whose opinions differ.

Word-of-mouth effects of marketing effort, B. L. Bayus in *Journal of Advertising Research* (US), June/July 85 (9 pages)

Suggests that word of mouth (advice/recommendation from family, friends and colleagues) is an important element in purchase decisions, particularly for durable goods, and stresses that it can have strong negative as well as positive effects. Reviews research literature on the subject of personal influences in purchasing situations; describes an empirical study in the field of military recruitment, which shows that word of mouth was stimulated by marketing effort, and examines its implications for marketing strategy.

Office fitting-out costs, A. Smith + others in *Management Journal* (UK), May 85 (4 pages)

A tabulation of the costs of the refurbishment of offices to three different standards: basic (with new existing furniture/fittings being retained) to top-grade (with upgraded services, custom-made furniture). Helpful checklist of costs.

Niche Products, S. Bradwood in *Design* (UK), Aug 85 (7 pages)

Argues that national differences in product perception, coupled with cultural sensitivity, will restrict the spread of global products; examines the market for niche products — those with limited appeal which are not intended to be universally liked — that combine short-run production with target marketing. Looks at the contributions market research can make in defining consumer preferences and behaviour as a basis to niche product design. These abstracts are reproduced from the abstracting journals published by *Amhar Management*. Licensed copies of the original articles may be obtained at \$4 each (including VAT and p and p: cash with order) from Amhar, PO Box 23, Wembley HA9 7DA.



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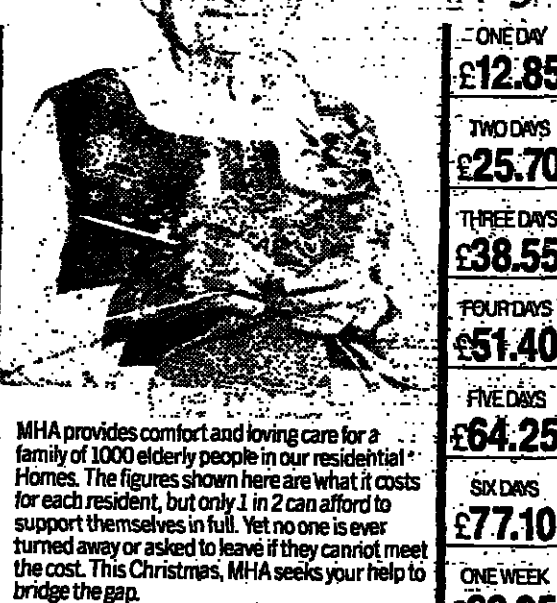
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The Management Board
Amsterdam, November 20, 1985

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FINANCIAL TIMES SURVEY

Wednesday November 27 1985

Barbados

Although the island has not been immune from international economic crises it has withstood them better than many of its Caribbean neighbours. Unemployment will be the front on which the election battle is fought.

Island stays in the sun

IT HAS BEEN one of the remarkable characteristics of Barbados that its economy, a model of stability among Caribbean nations, has rarely been a cause of concern to the three prime ministers who have guided the country in its nearly two decades of independence from Britain.

The tiny nation, with a population of 250,000 distributed over just 166 square miles, has moved firmly to reduce its agricultural sector away from reliance on sugar, still its main crop but one where output has fallen, more or less according to plan, from 180,000 tonnes per year at the time of independence in 1966 to just 100,000 tonnes last year.

It has successfully attracted dozens of foreign companies to invest in the local economy in order to serve the increasingly affluent domestic market and markets abroad. The industrial sector, concentrated on textiles, furniture, electronics and data processing provides employment for 13.4 per cent of the workforce of 112,000.

A further 7.3 per cent of the labour force is in construction. As a result, mainstream industrial jobs nearly match the 21.4 per cent of those employed in the tourism industry, the backbone of the economy. By comparison, agriculture now employs just 9 per cent of the country's workers.

Tourism itself last year rebounded from a recession and

reached record levels with the arrival of 367,000 visitors, providing the country with receipts of Bds \$75m (£230m).

The virtual elimination of illiteracy, and the generally high standard of education, have also been factors in economic growth, helping with the development of a financial services sector.

The capital, Bridgetown, is home to a number of foreign banks, mainly British and Canadian, consultancies, and accounting firms and international agencies, serving not only Barbados but other islands in the Lesser Antilles.

The economy, nevertheless, will be the touchstone in the forthcoming general election.

By FRANK GRAY

the first since the present Prime Minister, Mr Bernard St John came to power after the death of Mr J. M. G. (Tom) Adams.

Before his death, Mr Adams warned that Barbados was not immune from the backlash of international economic crises though it was keeping to its economic targets. However, fine tuning and controlling the money supply by the Central Bank was something that required constant attention.

Barbados, in spite of its

success, was still a "developing country, one that needed better infrastructure and one in which it was not possible to enter into a debate about whether more production is needed or not or whether our society would be better with zero growth."

It is this point that is at the heart of the questions Mr St John is now putting his advisers. As the relatively strong performance of 1984 has given way to a rather indifferent 1985, Dr Courtney Blackman, governor of the Barbados Central Bank, has been forced to revise downwards his economic forecasts for the year. He now reports that Barbados will probably experience zero growth or an increase in output of just a fraction of a percentage point. This will be against last year's recovery of 2.3 per cent.

He adds that some 2,000 jobs have been lost in the labour-intensive industries, due largely to economic growth in the US, Barbados' most important trading partner.

Tourism itself has suffered a decline of one or two percentage points in terms of arrivals and may fall even more sharply by year-end as tourists are added up. Protectionism by Trinidad within the Caribbean Economic Community (Caricom) has led to a 50 per cent fall in the first half of the year of Barbados' shipments to its most important partner in the region.

Mr St John acknowledged

also that the pace of mechanisation of the sugar industry may have gone too fast — employment in the sector, at 15,000 in the 1960s, is now down to 6,000.

From the political point of view, the Barbados of 1985 shows some similarities with the Barbados of 1976, when a 20 per cent unemployment rate brought down the Democratic Labour Party of Mr Errol Barrow.

But the big difference between then and now is that inflation, which was rampant and contributed to Mr Barrow's defeat, is now under control, running at just 3.4 per cent. Barbados also has had the benefit of having lived through two oil crises and the resulting recession.

The Government is by no means certain of being returned to power in the 27-member House of Assembly, in which the Barbados Labour Party has

17 seats and the DLP ten. But Mr St John, a sanguine politician who previously held the Trade and Tourism portfolios, is having a generally optimistic economic picture painted for him by his advisers.

Dr Blackman forecasts that the economy will resume growth next year, and is encouraged by the predictions from the country's hoteliers of exceptional forward bookings for the coming winter season.

The Government admits that unemployment is a serious problem, but leading administration officials have suggested that Barbados' parallel economy is such that real unemployment is probably much less than the official figures of 19 per cent indicate.

The Opposition claims the Government is disguising the figures and argues that unemployment is much higher, per-

haps as high as 30 per cent. Many observers believe Mr St John's main challenge will be to win the confidence of the electorate, given the unexpected circumstances that have pitched him into the country's top political job. Though in private he can be ebullient, his public manner is less certain, and he is inevitably compared with his rather more colourful predecessor, and in particular Mr Adams.

Mr Barrow, now 65, is probably fighting his last campaign. In spite of that, he retains enormous populist appeal — he is often referred to by the man-in-the-street simply as "Errol."

In contrast, being fought largely in the middle ground of politics, Mr Barrow stops short of calling for heavy injections of public funds into curing unemployment. Instead, he accuses the Government of wasting borrowed money to build

highways the country does not need.

The reference is in particular to a recent US\$40m contract to build a highway from Barbados Airport to the top resort areas along the country's west coast, by-passing the capital.

The Opposition also will probably point to further alleged Government extravaganzas, such as the big, futuristic new Central Bank headquarters dominating the Bridgetown skyline. It is felt that such a building is too rich for Barbados' blood.

The disappointing performance this year of the Industrial Development Corporation in attracting new industry will also be an object of Opposition electioneering.

Whether this will be enough to win Mr Barrow a "last hurrah" remains to be seen. Mr Barrow readily concedes the Government is in the driver's seat and its ability to create

employment at times of political need.

What Mr St John is weighing now is when to launch a recovery programme that will ease unemployment and win him votes.

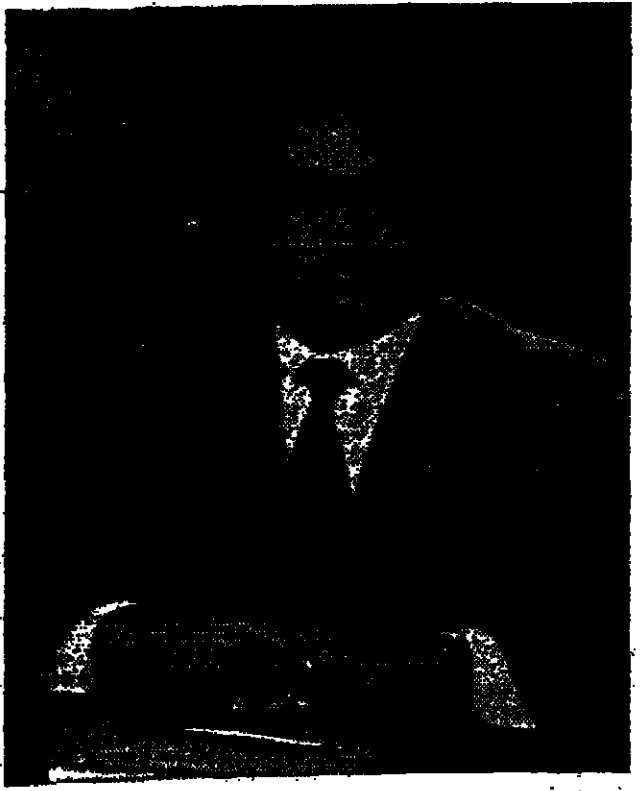
Much of the advice Mr St John has been receiving suggests that an early spring campaign might be in order — he does not have to call an election until September. By the spring, the expected recovery in tourism will be in place and the sugar harvest, which will provide 6,000 jobs, will be nearing completion.

In addition, the country's road builders might be busy laying the surface of the motorway between Sir Grantley Adams Airport — named after the first post-independent prime minister of the short-lived West Indies Federation and the West Coast resorts.

ADVERTISEMENT



Message from the
Rt. Hon. H. B. St. John
Prime Minister of
Barbados



Barbados as a small, open economy with limited resource endowment, has always been heavily dependent on external markets and the calibre of its people to spur its development process. Barbados took advantage of favourable world economic conditions during the last half of the 1970s to record five successive years of real economic growth, averaging 5.1% per annum. With the advent of yet another global recession in the early 1980s the Barbados economy was affected by the adverse external conditions, manifested in weak demand for tourism services and manufactured goods — particularly within the Caribbean Economic Community, low sugar prices, high interest rates and rising unemployment.

Barbados has prided itself in possessing a strong tradition of responsible government and sound economic management. Thus, faced with a serious deterioration in the health of the economy, the Government introduced a series of packages of fiscal and monetary measures which formed the basis for an International Monetary Fund Stand-by arrangement. Government's adherence to the adjustment programme enabled it to contain the deterioration in public finances and the balance of payments, and to arrest the economic downturn which had commenced in 1981. By 1983 the economy began to record positive growth after the negative growth of 1981 and 1982.

The Barbadian economy recorded a positive real growth rate of 2.9% in 1984, despite world wide recessionary pressures and the trade protectionist policies of the industrialised world. The growth was due to the increase in output of two of the major sectors of the economy — agriculture and tourism — and an improvement in local oil production. A continuing upward trend in tourist activity sustained the rate of economic expansion into the first quarter of 1985, resulting in real GDP growth of about 2 per cent higher than the first quarter in 1984.

The performance of the public sector for the fiscal year 1984/85 has improved considerably over fiscal 1983/84, and the package of revenue and expenditure measures instituted in the Government's 1985 budgetary proposals have sustained this recovery into the current fiscal year.

While the rate of unemployment rose during 1984, a noticeable feature of the economy was the relative stability of consumer prices as measured by the Retail Price Index. The average rate of inflation for 1984 was 4.6% slowing from 6.3% in 1983 and 10.4% in 1982. The rate of economic performance even more remarkable as inflation is running at an annual rate of less than 2 per cent.

Notwithstanding the above, the Barbadian economy did not remain isolated or insulated from global economic conditions. The main productive sectors of the economy were seriously affected and continue to be affected by weak market conditions. In the case of tourism, the critical issue is the sector's low level of profitability, given its rising overheads and reduced occupancy levels. The sector has been adversely affected by the strength of the US dollar, as the high occupancy levels achieved in the winter from North American visitors are not obtained during the summer; and with the weakening of European currencies, tourist arrivals from that market have also been reduced, thereby further affecting summer performance.

This year the tourism sector experienced a good winter season with arrivals 9.9% higher than the first quarter of 1984. Arrivals from the US showed a 23.5% increase, but the relative decline in European currencies continue to restrict the number of European tourists travelling to Barbados. Arrivals from CARICOM continue to fall since their peak of 1981.

In 1984, a committee comprised of representatives of the private and public sectors examined in depth the problems encountered by the tourism sector and made recommendations designed to inject new vitality to the sector. The recommendations made have been received by the Government and some of those requiring Government action have already been implemented.

Historically, Barbados, given its climate and size, has always been dependent on imported foods. However, efforts towards greater self-sufficiency are paying off. Food imports as a percentage of total imports has fallen from 20.5% in 1979 to 12.1% in 1984. Success in limiting the growth of food imports can be attributed to the results of a programme of agricultural diversification, emphasising the importance of non-sugar agriculture to the economy.

While agricultural diversification has long been an objective of the Government, increased emphasis has had to be given to the realisation of the objective within recent years because of the financial difficulties of the sugar sector. Given the costs of production of sugar in Barbados and the appreciation of the United States dollar against European currencies, the price which Barbados receives for its sugar is insufficient to cover costs of production. Since 1982, the sugar industry has raised bonds, guaranteed by the Govern-

ment, on the local market in order to finance its operations. There is however a limit to which the industry can finance its operations through loans and the Government intends to give direct support to the industry in 1985.

Sugar has long been the centrepiece of the agricultural sector, and indeed of the economy, and until recently held primacy as a foreign exchange earner. While it has been replaced by "other agriculture" as a contributor to Gross Domestic Product, for agronomic and economic reasons it has not been feasible to stop cultivation of sugar cane for the production of sugar at this time. Sugar cane therefore has to become one of the mix of crops which will be grown to optimise the net return per acre of land. In this context, it is considered that improved efficiency has to be sought and obtained at each level and process of the sugar industry, as indeed in every area of non-sugar agricultural activity.

The Government will shortly be commissioning a study to determine how greater efficiencies can be realised in the sugar industry and what the optimal size of the industry should be. In the meantime the process of agricultural diversification is gaining momentum. One major hurdle which must be overcome if the momentum is to be increased is marketing, both in the regional and extra-regional markets. Non-sugar agricultural marketing is still in its infancy.

During the last two decades, Barbados' economic base has been strengthened and enhanced by the emergence of a manufacturing sector. This sector has been actively engaged in import substitution as well as those engaged in export promotion. Business manufacturing for the domestic and regional (CARICOM) markets tend to be locally owned and operated. These manufacturing enterprises are generally subsidiaries of offshore companies.

To facilitate the growth of the manufacturing sector, the Government has established, and maintains, efficiently operated air and sea ports; an extensive network of roads; and an excellent water supply. These facilities are complemented by good telephone and telegraph systems; an electricity supply which covers the entire island; and a limited, but expanding, natural gas supply system. The Government has also designed and established a number of agencies considered necessary to the growth of the manufacturing sector. These include the Barbados Industrial Development Corporation; the Barbados Development Bank; and the Barbados Export Promotion Corporation.

The Government through the Barbados Industrial Development Corporation sustains an active promotional programme designed to encourage producers of goods and services to establish businesses in Barbados. To date this performance has been relatively successful as is seen by the manufacturing sector's increased contribution to Gross Domestic Product. The Barbados Industrial Development Corporation's current promotional thrust is designed to attract to Barbados, businesses involved in agro-industries, data processing, electronics, medical supplies and health care, high quality garments and high technology manufacturing.

Within the last year, the manufacturing sector has experienced contraction due to the closure of a number of plants. These closures have been caused by a reduction in the demand of the North American market for electronic goods, and by restrictions imposed by some countries on imports under the Caribbean Common Market. The manufacturing sector geared as it is — and must be, to the export of goods and services, is particularly vulnerable to weakening external demand. Considerable efforts have been made to help the manufacturing sector find new markets in the US and in Europe, thereby taking advantage of the preferential access arrangements of the Lomé Convention and the Caribbean Basin Initiative. It is however acknowledged that in the short and medium term the survival of the sector will depend upon an upturn in the United States electronics industry and the revival of regional trade. In order to support an orientation towards competitive marketing, the Government has provided a considerable amount of funds for training segments of the workforce with particular emphasis on technical training among the youth. It has also provided a respectable export incentive scheme for some classes of exports.

Since 1978, Barbados, like most energy importing developing countries, has been confronted by an energy problem characterised by the high price of oil. Government's attempts to encourage the domestic production of crude oil received much needed boost when the Government and Mobil Exploration Limited concluded an agreement in July 1982, in which the Government agreed to purchase the assets of Mobil Oil Exploration Limited for US\$12m. The National Petroleum Corporation subsequently established a subsidiary company, the Barbados National Oil Company Limited, to carry on the oil field operations previously undertaken by Mobil Exploration Limited.

Since 1982 Barbados has witnessed a 145.6% increase in

crude oil output to 634.9 thousand barrels in 1984. This level of output supplied 51.5% of the island's crude requirements, compared with 23.9% in 1982.

Government's energy policy will continue to be based on increasing crude oil production through the opening of new oil bearing seams and the reworking of existing wells; fuller utilisation of natural gas reserves; the development of secondary energy supplies — such as the generation of electricity from excess bagasse; the development of alternative energy systems (such as solar energy); and the promotion of energy conservation.

The Government of Barbados has not been unmindful of the critical role of services in its economic development. To this end, it has encouraged and fostered a regime of offshore activities. The growth of "offshore" services has demonstrated significant performance in fiscal 1985/86, particularly in areas of Banking, Foreign Sales Corporations, Shipping, Insurance and International Service Companies. Given current trends, it is anticipated that this sector will increasingly become more dynamic as the programme's benefits and objectives gain wider currency among the international business community. Barbados' 25 per cent tax rate is buttressed by a network of double taxation treaties between Barbados and a number of countries including the United Kingdom and Canada.

Government's five-year Development Plan for 1983-88, now two years into its life, is aimed at providing adequate supporting infrastructure for private sector growth and expansion. In the current five-year Plan the largest amount of capital for infrastructural projects in 1985/86 has been allocated to the transport sector, in order to ensure the provision of ready access to centres of development. Foremost of these is a new highway linking the Airport to the West Coast, and a Northern Access Road, which will run from the Clay Quarry at Greenland, St. Andrew to the Cement Plant in St. Lucy. There will also be rehabilitation of the runway at Grantley Adams International Airport, a traffic management project for Bridgetown, a road maintenance and rehabilitation project of 64.5 metres for primary roads, and the construction of a US\$12.3m fishing harbour for Bridgetown.

The successful execution of a number of projects in the last five-year Development Plan such as the Coastal Conservation Project, the Arakaw Cement Plant, the Heywoods Holiday Village, the sewerage facilities and continuation of the long term water supply projects will benefit the tourism and manufacturing sectors, as well as contribute to social infrastructure.

With regard to the social infrastructure component of the Capital Budget, even though Government decided to limit its direct involvement in housing construction to providing homes for those who cannot qualify for mortgages, it has however been engaged in the preparation and development of residential sites to accelerate the process of the acquisition and extension of private home ownership. Government has also guaranteed loans for on-lending from international institutions to private commercial banks. Major financial institutions have also increased long term outstanding credit to the housing sector with the result that there was an 11.6% increase in housing starts for 1985 over 1984.

Government's development strategy as it pertains to socio-economic goals is based on two broad principles. The first is that material prosperity can only be sustained if rooted in social progress. The second is that deliberate systems have to be put in place to translate material prosperity into social upliftment. Within the limits of available resources, Government's social development strategy has taken effect via measures to expand the scope for and security of gainful employment; programmes to improve the facilities and amenities for the delivery of basic services, particularly housing, education, training, health and transport; and, finally, through the creation of an environment within which cultural expression can flourish at both community and national levels.

Handwritten signature of H. B. St. John

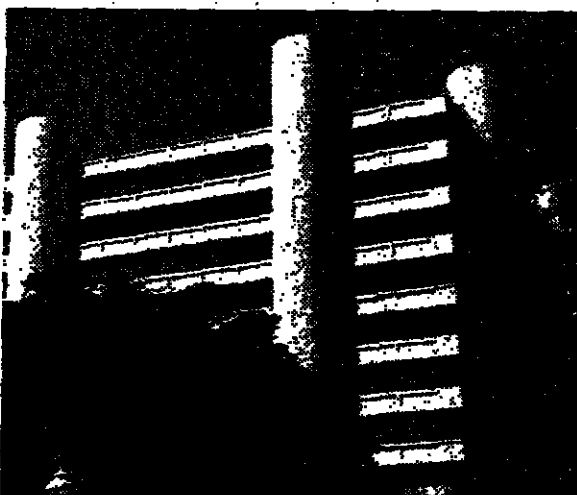
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BARBADOS 2

Testing time for Caricom

Economy/Trade

FRANK GRAY

SCARCELY A DAY passes in Barbados without major pronouncements by political and business leaders on the two issues which dominate the news—the future of the troubled Caribbean Economic Community (Caricom) and the controversial US Caribbean Basin Initiative (CBI).

Not far behind is the always vulnerable but vital matter of tourism, the island's single biggest industry, which last year attracted a record Bds\$75m (228.75m) to the current account, but which this year will show a decline.

In short, all three issues relate to trade, and that is what Barbados is all about. It is estimated that 97 per cent of the country's Gross National Product is trade-linked; there is hardly a single aspect of the Barbadian way of life that is not touched by it, be it agricultural, industrial or in the service sector.

The most emotive issue surrounds Caricom, the free-trade arrangement that links members of the English-speaking Caribbean. The problem revolves around the economic instability of the three major members—Trinidad and Tobago, Jamaica and Guyana, but the emotional heart of the arrangement is Barbados, the most well-balanced of all nations, whose late Prime Minister, Sir Grantley Adams, was the first leader of the ill-fated West Indies Federation of the late 1950s.

The federation, conceived as a single-nation grouping of what are now the Caricom members, foundered as the individual members began their run up to independence from the UK. The idea of federation, however, is still talked about as if it were only yesterday.

It is the strength of the co-operative idea that has prevented Caricom from actually breaking up despite the poverty protective trade measures practised against its neighbours by Trinidad, in particular.

Trinidad, because of its own post-oil boom recession, has refused to implement measures aimed at freeing trade. In so doing, it is refusing to dismantle licensing requirements for specific Caricom imports, particularly affecting the trade in garments and wood products.

Mr. Bernard St John, the Barbados Prime Minister, has patiently avoided any overt retaliation against Trinidad and says that Caricom members must do all possible to push for implementation of the free trade arrangements. The Barbados Government has, however, imposed licensing requirements on imports from Trinidad of those kinds of goods that Caricom's market size is 4.5m but intracommunity trade fell to \$432m through 1984 from a high of \$577m in 1981.

It is particularly worrying to Barbados which has an overall trade surplus with the rest of Caricom but has a deficit with the 'major Caricom members.

Its imports from Trinidad in the first half of this year were estimated at Bds\$54m compared with exports of just Bds\$17m. With Jamaica, Barbados imports were worth Bds\$23m, against exports of Bds\$3m.

Only with Guyana, admittedly the weakest link in the chain, did Barbados enjoy a surplus, with imports being worth Bds\$2.7m compared with exports, based largely on the re-export of oil, valued at Bds\$55m.

Apart from continued expressions of good will, there seems to be no short-term solution to the problem. All members are still not giving up hope that future regional meetings—no for some have been scheduled—will result in reaffirmation of the pledge to introduce a common community tariff on such selected trade items as steel, cement, fertilisers, car parts and consumer durables.

Barbados' concern over Trinidad is perhaps eased by its relatively strong position within the Community. In total, Caricom took 22.3 per cent of the country's exports last year while the source of 11.7 per cent of imports by Barbados.

Compared with this, there is the larger issue of the CBI, seen by many Caribbean and US officials as a panacea for the region in its export relations with the US.

Now finishing the second year of its 12-year implementation schedule, the CBI is being heavily criticised as having failed to meet its objectives, although American trade representatives are stoutly defending their Government's good intentions.

Launched in January, 1983, the CBI is a package of trade, aid and investment incentives to promote quota free, and free shipments from the region into the US. The US Commerce Department stresses that it is a "self-help programme" encouraging participating countries to remove constraints on private sector-led development.

US trade strength in Barbados, for instance, is paramount. Last year the US took 27.6 per cent of Barbados' exports, and supplied 47.7 per cent of its imports, by far the largest of any trading partner. By comparison, shipments to the UK were just 6.9 per cent and imports were 7.6 per cent, while they were 1.6 per cent and 5.7 per cent for Canada respectively.

Barbados' total exports for the year were worth Bds\$78m compared with imports of Bds\$1.3bn, a deficit largely offset by the strong tourist sector.

The principles of the CBI generally have widespread support in the Caribbean, but many politicians criticise it as being too limited in what it allows into the US free of duties and quotas.

Barbados Trade Minister Mr. Louis Tull has called for an expansion of the list of items eligible for CBI support. These should include sugar, still Barbados' primary agricultural export, textile and leather goods. These goods were basic to the island's economy and their inclusion under the CBI

would help reduce Barbados' bilateral trade deficit.

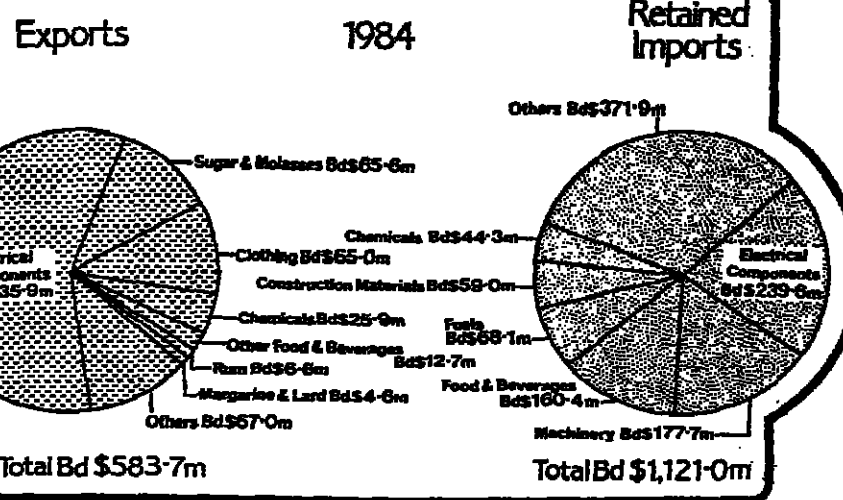
In mid-November, Mr. Tom Anderson, the US Ambassador in Bridgetown, told a meeting of businessmen that the key to benefiting from the CBI was local initiative, and the object was to shift the region's economies away from traditional, fading industries, such as sugar, bananas, and bauxite. The growth lay in the demand for non-traditional sectors such as furniture, electronics and winter vegetables.

Within the Caribbean Basin's 21 CBI-eligible countries, some 36,000 full- or part-time jobs were created in the programme's first 14 months, and some \$208m in investment was undertaken. Under the CBI some 20 export-oriented businesses were set up in Barbados. He acknowledged that the excluded products limit the programme, and that many products already enter the US under the Generalised System of Preferences.

The CBI, he said, "offers simplicity of administration and more certainty of access". It also offers broader product coverage and improved rules of origin including partial credit for US-made inputs, important benefits not provided under the GSP.

The ambassador stressed that the CBI is not meant to be a unilateral effort.

The primary responsibility for the CBI's success "rests with the beneficiary countries whose governments must provide the right policy framework in concert with the private sector."



A king feels the pinch

Sugar

TONY COZIER

AMONG THE statements Mr. Errol Barrow made during the 15 years he was prime minister none has been remembered and repeated more than that which declared that he hoped to see the day when there was not a single sugar cane blade left on the island.

Since "King Sugar" had dominated Barbados life for 300 years and dictated its political, social and economic development, Mr. Barrow's sentiment created a public furor that frequently resurfaced. Yet had not sugar's hold been so entrenched and strong, the industry would have all but collapsed by now and the last sugar cane field would, indeed, have all but disappeared.

The sugar cane industry is in dire straits globally. World market prices are depressed, demand is down and beet sugar can be produced more economically. It is in trouble in Barbados, too, with its little consolation that it is in even worse shape in her sugar-producing neighbours in the Commonwealth Caribbean, particularly Jamaica and Trinidad.

Production costs now exceed guaranteed negotiated prices in the favoured markets of the European Economic Community and the US, a situation compounded by disadvantageous exchange rates with European currencies and declining import quotas in the US.

It takes approximately US\$450 to produce a ton of sugar in Barbados. The EEC quota of 54,000 tonnes annually brought an average of US\$319.50 a tonne in 1984 as the U.S. dollar, to which Barbados pegs its currency, continued to climb. The US, which pays around US\$450 a tonne, has steadily reduced import quotas from the Caribbean, Central and Latin America in the past three years, down for Barbados from 18,600 tonnes in 1982 to 12,500 in 1985 with a further drop imminent.

The industry is estimated to be Bds\$150m (US\$75m) in debt to the banks, mainly the Government-owned national bank, with annual losses of over Bds\$8m on an estimated capital value of Bds\$200m. Repayment on loans amount to over Bds\$8m annually.

The decline has been marked and rapid. Twenty years ago, 60,000 acres were under sugar cane, now the figure is 34,000. Production was 185,000 tonnes, now it is hovering around the 100,000 tonnes mark. There were 20 factories, now there are six.

On the surface, the short

answer would seem to be to face reality, shut down the factories and turn the land to some other use. If it were possible, it would mean that many have been doing since the 1960s, when the industry was in a society in which sugar has disturbing associations with slavery, privilege and colonialism.

Yet the truth is that Barbados cannot afford to let an industry on which it has been built, and which has stuck with sugar through bad times in the past and, whether it likes it or not, there are a host of reasons why it must now—and why the Government has spent millions of dollars over the past four years to sustain it.

Economically and socially, its complete collapse would be devastating. While it would eliminate an uneconomical crop, it would remove the Bds\$65m of foreign exchange earned by sugar exports in 1984 and, what is more, throw the 9 per cent of the labour force that works in the industry—a total of 5,000—into the ranks of the unemployed at a time when unemployment is touching 20 per cent.

Nor, on the shallow soil of Barbados, with its inconsistent rainfall, has an alternative crop with such potential for export earnings and employment got a chance of success.

So since it has to be and, for the fourth consecutive year, parliament authorised a price support programme earlier this month, for the first time including a grant of Bds\$10m along with a guarantee of Bds\$10m bond issue by Barbados Sugar Industry, the amalgamated company representing all interests in the industry.

Unacceptable

The amount now advanced by the Government over the past four years is Bds\$62m and there are those who see this as unacceptable welfare. The Minister of Agriculture, Mr. Richard Cheltenham, has warned: "If the industry cannot become more competitive, no amount of price support within the means of the Barbadian economy can save it in the long run."

Dr. Gerry Hagelberg, a German-born economist who has been the Government's advisor on sugar since 1981, has urged some "feasible" management is archaic—"has not changed fundamentally since Lord John Russell complained (about it) in Parliament in 1848" was how he put it.

There is too much absentee ownership, he contends, presumably including "government" and too much expensive deadwood at the head of most estates. Only 25 of the 130 larger estates, totalling 5,000

acres, are owner-managed and Dr. Hagelberg suggests a conversion into smaller farm units employing four or five permanent employees for each 100 acres. Mr. Frank Walcott, head of the largest union, has implicitly supported the idea, seeing it as "diversifying the quality of ownership."

Still, there are positive signs that the industry is fighting back. A decline in production has been checked with 100,000 tonnes passed over the past two years after falling to a low of 87,000 tonnes in 1983.

Fire, which burnt 23 per cent of the acreage in 1981, affected only 3.3 per cent last year after a factory bonus for green, or unburnt, cane was introduced, backed by a strong propaganda campaign. Production costs have stabilised after rising sharply between 1979 and 1981 and mechanical harvesting and collecting have been accepted and mastered.

Long history

Additionally, Barbados has a flattering international reputation for the quality of its sugar research and planning and its yields are the highest in the Caribbean. Its industry has a long history and considerable investment. As always, however, its existence depends largely on external factors such as negotiated prices in its traditional markets.

What the present crisis has done is to stimulate agricultural diversification, prompting growing a crop to plant supplementary crops most of them in rotation with sugar. Whereas 30 or 40 years ago, sugar plantations produced only ground provisions such as sweet potatoes and yams in small quantities, many have now gone into vegetables so that the island is now virtually self-sufficient in tomatoes, carrots, onions and the like.

Sea Island cotton, Barbados' original export crop before sugar was introduced in the 17th century, has been revived with nearly 800 acres under cultivation, mainly on small lots, and a continuing interest from Japanese importers.

Peanut production has risen with 325 acres planted this year in comparison with 100 acres in 1984. Marginal sugar land, mainly in the hilly terrain in the eastern parishes, has been put under pasture for the expanding beef cattle industry.

The Government, according to Mr. Cheltenham, now sees sugar not as the sole crop, as it was for centuries, but "as a component of an increasingly diversified system of agro-industries." It may be a come-down for the former "king," but it is the only realistic chance for its continued survival.

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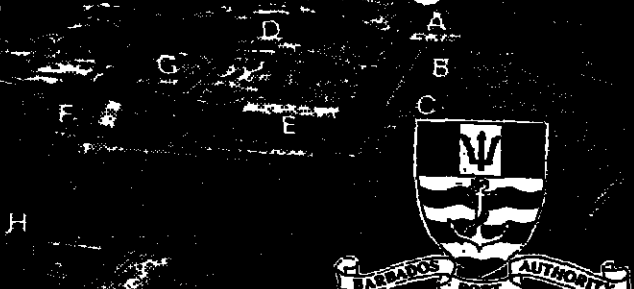
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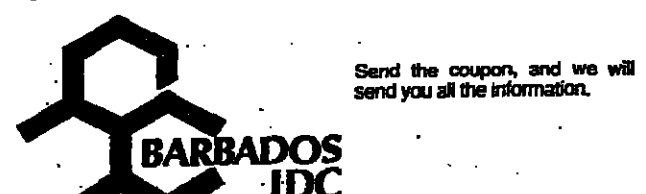
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Financial Times Wednesday November 27 1985

BARBADOS 3

Export-orientated products sought

Foreign Investment

FRANK GRAY

THE LOGICAL first step for any foreign investor seeking to do business in Barbados is at the Industrial Development Corporation (IDC) in the breakwater approach to the busy passenger shipping quay just outside Bridgetown.

The building, opened on May 31 in a ceremony by Mr. Bernard St John, Barbados' new prime minister, is meant to serve as a beacon for investors as to what opportunities lie ahead. It also represents the considerable accomplishments of the IDC since it was set up in 1957.

nine years before independence from Britain. Mr. St John, however, previously a trade minister after the sudden death of Mr. Tom Adams, wasted little time in pointing out that times have changed. Barbados can no longer expect to benefit from the low operating costs and cheap wages of the past.

Instead, it must promote its own high-productivity, technological know-how and capacity to satisfy the investment requirements of foreign concerns. "The demand for higher level goods, which are income elastic, has increased," he said. "These goods must either be manufactured locally or be imported."

In addition to facing new patterns of demand, the existing low-wage, low-skill activities have been uncompetitive. "The stark reality in Barbados is that those manufac-

turing activities which have brought us to our present level of industrial development are no longer capable of sustaining growth at a sufficient pace or of leading the industrialisation process."

In effect, the prime minister means that Barbados must continue its programme launched under the Adams Government of moving up-market in its drive to attract foreign investment. Such industries must be export-oriented in order to meet the country's foreign exchange needs, and must be in the mid-to-high technology sectors, particularly in data processing, consultancy, computer software development, design centres, research and development laboratories and testing facilities.

The prime minister's remarks were amplified in an interview earlier this month by senior IDC officials who stressed that Barbados should no longer be regarded as a "cheap labour" country.

"Our main assets are political and economic stability, quality of our workforce, acceptably low levels of labour strife, and high levels of education," said Mr. A. Norris, an IDC director.

Indeed, Barbados boasts a 98 per cent literacy rate, an English educational system based on the 11-plus exam and compulsory education up to the age of 15. It also has for nearly three decades been linked to the University of the West Indies with Trinidad and Jamaica, and has an important polytechnic institute, the Samuel Jackman Prescott School just outside Bridgetown. These standards are reflected, on the one hand, in the high wage levels in the Caribbean. Salaries for construction equipment operators are as high as

\$814 (\$5.60) per hour, ranging down to ordinary construction and factory wages of about \$35 per hour.

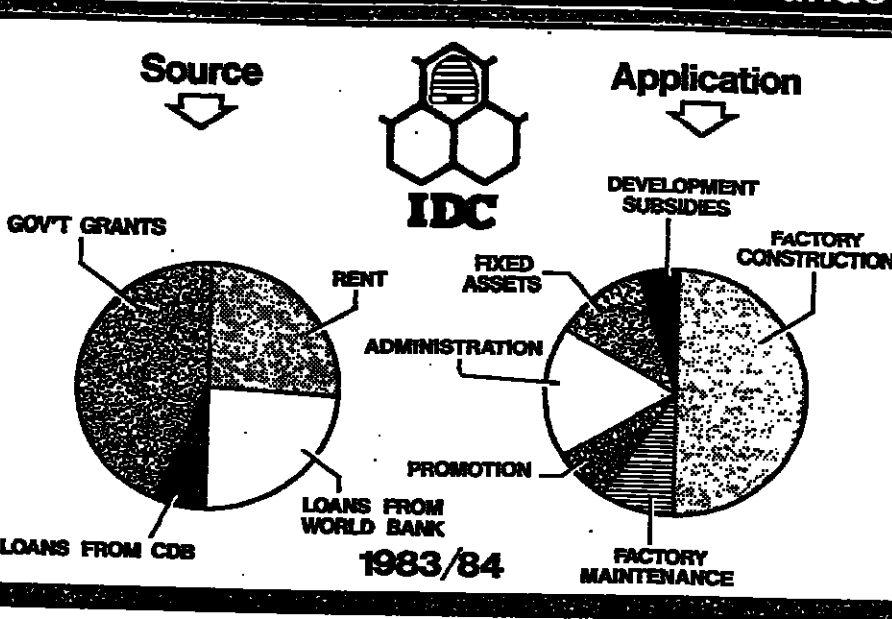
On the other hand, IDC-assisted industries showed an employment growth of 12 per cent in 1984 over 1983, with the numbers employed nearing 10,000 compared with 8,500.

Nearly two-thirds of the employment was concentrated in the electronics, precision instruments and textiles sectors and the rest in other light, mid-to-high technology industries such as fabricated metal, mineral products, plastics and data processing.

Indeed, one of the IDC's achievements in recent years is winning an account from the American Airlines to process that company's airline receipts under a company called Caribbean Data Services. The company employs 275 workers and is advertising its services to the US organisations with heavy receipt-processing needs.

The IDC readily admits that 1985 has been a disappointment with few new industries

IDC Source and Application of Funds



Mr. Bernard St John, Prime Minister of Barbados, a programme of moving up-market to attract investment.

attracted, largely because of the vulnerability of the electronics sector and U.S. curbs on textile imports.

The IDC's electronics shop is Intel, the California-based unit of IBM, which was set up in 1979. The company says it still has plans to expand floor space to 100,000 square feet from 70,000 in its Barbados location despite the imposition of short-term working hours in its Puerto Rican operations and cutbacks due to financial losses in the US.

Total employment at Intel exceeded 1,100, and it is one of Barbados' single most important employers and is the largest of the 20 US industrial companies in Barbados.

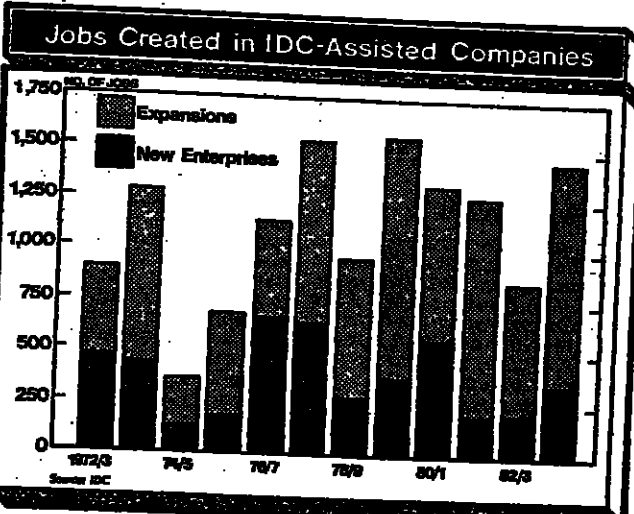
While there will be a net job loss in 1985, the organisation hopes that, with the co-operation of the Barbados Development Bank, through which it helps finance new projects and rescue troubled ones, it will attract 1,500 new jobs next year and a further 1,500 the following year.

The country has steered clear of trying to attract heavy industry, simply because such industry, with the advent of robotisation, is no longer as labour intensive as it was. One exception is the establishment of the \$850m Arawak Cement plant several years ago on the northern tip of Barbados.

A joint Barbadian-Trinidadian project, built with help from the Caribbean Development Bank and constructed by Voest Alpine of Austria, it is already supplying the island's growing need for basic building materials, some of which goes into the new plants the IDC has attracted.

Barbados finds itself in the paradoxical position now of having to compete with the US, its benefactor in so many ways, for new investment business. The IDC says it will have to keep a close scrutiny on its programme of tax holidays and other incentives so as not to lose its well-earned competitive edge.

That edge is muted somewhat within the region as Barbados, because of its Caricom trade ties, can only offer the same incentives as its neighbours. The difference, said one IDC official, "is in the quality that lies behind the incentives."



Plea to diversify industrial base

Caribbean Development Bank

FRANK GRAY

A GROUP of eight Caribbean producers of timber and wood products next week concludes a two-week tour of Germany, Italy, the UK, Canada and the US. They hope to return to their home bases in the Anglophone Caribbean with portfolios full enough to encourage them to launch a major export drive to the markets they have visited.

For the host countries, the advent of Caribbean materials onto their markets will make little difference to the trade, but to the Caribbean countries, more orders could make a major impact on their delicate, commodity-based economies.

The mission members include representatives from the furniture and timber products indus-

tries of Barbados, Trinidad, Jamaica, Belize, Guyana and Dominica, essentially the former British West Indies. Their mission is being undertaken under the auspices of the Barbados-based Caribbean Development Bank with grant support from the US Aid Employment and Investment Promotion Project and after consultation with the Geneva-based UN Conference for Trade and Development.

Before their departure, the mission was briefed by US, Canadian and United officials about the markets they would be dealing with. They were told that the world market for foreign furniture was worth \$7.8bn of which the US was importing \$1.8bn, West Germany \$1.8bn and France \$1.1bn.

Some \$850m went to other industrialised nations, and \$579m was imported by the Common group. Compared with this, Latin America absorbed just \$83m in furniture and finished wood products, having a long history of reasonable self-sufficiency in this sector.

Just what business is to be won will depend in large part on the ability of the Caribbean nations to meet satisfactorily the supply and quality demands of their potential clients and, as Mr Ed Kemp, the US trade representative in Barbados pointed out, "your ability to co-operate among yourselves in sharing the wealth that is out there."

The meeting illustrated the growing importance of the Caribbean Development Bank in fostering diversification of manufacturing and agriculture and promoting the export of new products from the region. The mission is one of four being planned by the CDB this year. The others dealing with agricultural and textile products and exports of ground spices, essential oils, perfumes and cosmetics.

As Mr J. Bernard Yankey, projects department director for the CDB pointed out, the total growing stock of timber in the region is estimated at 500m cubic metres.

"While these figures sound impressive, the forest industry is still considered underdeveloped due to the lack of important mechanisms for its improvement and development," he said. "Investment in equipment and the establishment and improvement of marketing are needed urgently."

Focal point

The same obstacles face many other new industries in the Caribbean, but the bank's activities, as well as those of other institutions, such as the EEC, through the Lome Convention and the Caribbean and US Governments, through their regional aid programmes, and Britain, with its Overseas Development Administration, are an important focal point for regional development.

All these organisations maintain regional headquarters in Barbados to serve the islands' less developed neighbours such as St Kitts, Dominica, Anguilla, Barbuda and Belize. There is scarcely a major project in the region, including Trinidad and Jamaica, that has not benefited from some type of support from Western aid and concessional finance.

Mr Johan Ter Haar, the EEC delegate in Barbados, reckons that Barbados has received Ecu 18.1m (£10.68m) in support from the Community and the European Investment Bank under terms of the Lome I and Lome II conventions. A further Ecu 56.5m has been spun off into Barbados as part of regional activities of which Barbadian enterprises are a part, such as Leeward Islands Air Transport, the West Indies Shipping Corporation, the Caribbean Agricultural Research and Development Institute and the Caribbean Food Corporation.

In fact, Barbados' comparative economic well-being in large part due to this sort of help, means it will benefit less in the future than will its neighbours.

But it is the CDB, with a staff of 212, that is a source of particular pride. It is the Caribbean nations' own regional lending institution. Launched in 1970 with its first board meeting in

Nassau and a capital of \$50m, it has grown to an institution numbering 20 regional members and three non-regional members.

The regional members, who essentially provide the CDB with its basic funding, comprise virtually all the Caribbean's former British territories and also include Venezuela and Colombia, two founding members, and Mexico, which was added in 1982. Non-regional members are Canada, the UK and, in 1984, France, Italy has recently applied for non-regional status.

At the end of last year, the CDB's ordinary capital resources totalled \$158.8m, partly supported by funds from the World Bank, the European Investment Bank and the Inter-American Development Bank.

A special development fund at year-end totalled \$178.8m, for use largely from contributions of members and from such non-members as the US, Sweden, West Germany and New Zealand.

Hangover

At a board meeting last month, Mr William G. Demas, the bank's chairman, announced \$18m in financing for expansion of Barbados airport and for Jamaica's Montego Bay Free Zone project. The new loans bring to \$533m the total of the CDB's net approvals in loans, contingent loans, equity and grants since its establishment.

The bank is concerned that the continuing hangover from the recession and the accompanying debt crisis will hinder its mobility in the next few years. This is a particular worry in the region, whose economies are still commodity-based and are suffering from the general weakness in most world commodity prices.

Earlier this year, Mr Demas voiced alarm that the region's recovery may not be as buoyant as hoped because of the slowdown in US economic growth. "Deep-seated problems in many of the traditional export staples still remain and have contributed in part to severe declines in the terms of trade of most countries of the region," he told the annual meeting of the bank's board of governors.

The region also suffered from unacceptable population growth, excessive borrowing from their central banks and overmanning of their public services, he said. He suggested that exchange rate depreciation may be needed in order to maintain export volume and efficient import-substitutes and to achieve a better budgetary situation.

"Governments have to show an extraordinary degree of political courage in firmly controlling the growth of recurrent expenditure in the public sector with regard to increases in wages and salaries as well as to levels of employment."

One problem the industrialised world shares with Caribbean is the problem of high personal taxation, and the need to reduce it, but also the need to find ways to collect taxes from the self-employed.

It was, he said, an "admittedly difficult" challenge and may have to be remedied by an increase in indirect taxation of non-essential goods and services.

Johnnie Walker



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US takes lion's share

Tourism
FRANK GRAY

IT HAS proved a pleasant irony that, more than a quarter century ago, Barbados was used as the location for the film of the Alec Waugh novel, *Island in the Sun*, a story dealing with Jamaica in the days before its independence from Britain.

The decades since have seen Jamaica wrecked by political and economic turmoil which have spilled over on to its sensitive tourist industry. Barbados, by comparison, has enjoyed steady economic growth, political stability and the tourism industry has outstripped sugar as the major economic force in the country.

If anything, the title of Waugh's book applies more to the Barbados of today than it does to Jamaica, tourism officials believe.

There have been hiccoughs, of course, and some of them serious. The seemingly non-stop tourism boom of the late 1970s, and the hotel expansion that accompanied it, came to a halt with the second oil crisis. It bounced back in 1984 to record levels, only to fall by one or two percentage points in 1985.

Hoteliers, and more importantly, Barbados bankers to whom they are indebted, report phenomenal bookings this winter. If the expected good winter results spill over into the summer, Barbados is likely to experience record receipts for 1986, which will be good news for the island's creditors and for the 19 per cent of the workforce who, at year-end, were unemployed.

It is doubtful whether, in the short term, a recovery in 1986 will mean an immediate return to the hotel building boom. The Department of Tourism, headed by Mr. Aaron Truss, says that some hotel groups are undertaking expansion of existing properties, either upgrading hotels or adding rooms.

The last major building project was the big Heywoods hotel and apartment complex opened last year on the Caribbean, or West Coast, north of Bridgetown, built by the Barbados Government and supported by Bds\$1.1m (US\$3.2m) financed by the Caribbean Development Bank.

The project was undertaken by the Government, but it is government policy to avoid direct ownership or manage-

ment of hotels. Heywoods is now being run by the British Caledonian group of the UK. The base of the industry is not likely to advance much beyond the existing 7,000 rooms—222 hotels and properties—in the near future, said the Department of Tourism.

Just how important the industry is to the economy and the balance of payments is indicated by 1984 results, which showed an influx of 367,000 visitors, an increase of 13.3 per cent over the previous year. Of these, 99,166 visitors arrived by ship. Another 99,000 arrivals were recorded under business travel or Barbadians returned from abroad.

Tourists from the US comprised the lion's share, numbering 140,202, compared with 67,307 from Canada and 46,274 from the UK, 16,820 from Europe and 84,447 from the Commonwealth Caribbean, with

case, been visiting Europe in droves this year. Because of the hotel costs problem, the Tourism Department is encouraging visitors next year to take advantage of cheaper package rates. This is particularly important in Europe, where the tourism fall-off to Barbados has been pronounced.

But the department also acknowledges that the hoteliers are restaurants will have to take action themselves, if not to reduce room rates, to ease up on the price rises that have hit the food and drink sector. Fast food restaurants abound at prices far higher than in North America or Europe.

Barbados has benefited from its reputation over the years as a "safe" place to visit, and is taking steps to preserve that status. Mr. Truss has proposed legislation that will require

Tourist arrivals

Country	(By country of origin)		% change
	1984	1985	
UK	33,740	36,642	-2.0
Canada	47,740	53,270	11.7
US	101,312	117,663	1.9
Europe	11,288	11,068	-1.9
Commonwealth, Caribbean	65,840	55,800	-15.3
French West Indies	1,720	2,619	52.3
Dutch West Indies	164	405	147.0
South America	2,612	2,588	-0.9
Bermuda	463	474	2.4
Puerto Rico	324	1,014	211.1
Others	3,972	3,187	-19.8
Total	272,112	288,090	-1.5

the remainder coming mainly from other countries in the region.

In total, tourism contributed some Bds\$75m (£230m) to the current account or about 37 per cent of all current account credits of Bds\$1.6m in goods and services. Its importance is gauged against 1983 tourism returns of Bds\$509m in 1983 and just Bds\$166m in 1976.

Nine months results for 1985 show a 1.5 per cent decline in visits to 268,090, a figure likely, to stand through the year-end or decline marginally.

One major inhibition against tourism in 1985 is the fact that the Barbadian dollar is tied to the US dollar. This has meant an increase in hotel costs—475 US per day is not uncommon in the country's major hotels.

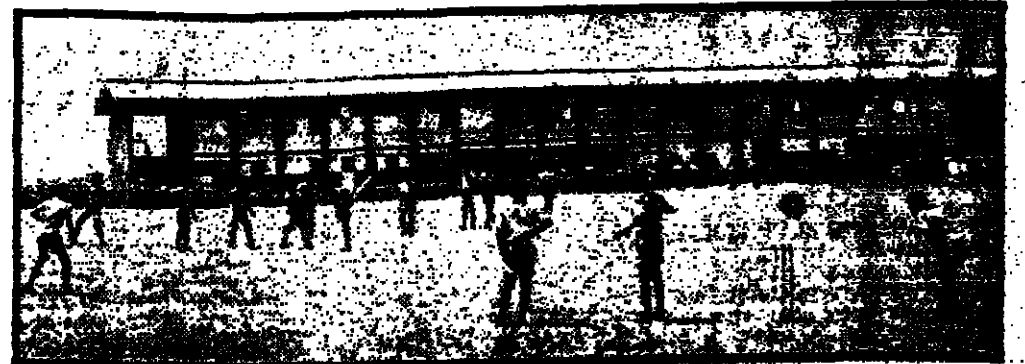
Tourism officials believe this has hurt the industry, particularly as American visitors have tended to undertake shorter visits than their European counterparts and have, in any

beach vendors to be licensed and that will restrict their general movement along the beaches abutting the major resorts.

The beachcombing practice has long been one of the island's charms, but many hoteliers are concerned that, with the proliferation of tourists, uncontrolled beachcombing will make hotel security more difficult to enforce.

One development that may ease air transport costs to the country is the hope that Caribbean Airways, based in Bridgetown, will emerge as an important force. In low cost transportation. Founded in 1970 and run by Sir Freddie Laker until his company's collapse in February 1982, it is still a minute operation, operating mainly DC-10 aircraft supplied on lease by Air Ghana.

The managing director, Mr. Sam Waithe, says the airline is looking for more DC-10 equipment and possibly 747s, mainly on a lease basis, to boost services this winter.



Cricket on the school playing fields: the game is an integral part of the social fabric

More than a game

Cricket
TONY COZIER

TO LISTEN to those who should know about such things, Barbados' cricket is going through difficult times.

The older players, those from the golden era of the 1960s when as many as nine Barbadians could find places in a West Indies touring team, shake their heads and bemoan declining standards.

A local Sunday paper has been running a series for the past six weeks entitled, simply and worryingly, "Cricket Crisis?" in which contributors have acknowledged that, if domusday is not immediately at hand, the signs are all there.

The fuss has been stirred in one of the game's strongest outposts by the unwholesome decline this year in which Barbados, champions of both senior and junior regional West Indies tournaments, suddenly slumped to one before last in the standings. The shock was the same the city of Liverpool might feel if their famous football club was knocked out of the first round of the FA Cup and then struggled to avoid relegation in the same season.

Barbados, after all, sets its playing standards very high. It has produced some of the greatest players the game has known and, without any coherent contradiction, the greatest, Sir Garfield Sobers. It has won more West Indies championships than the other 166 square miles of the island, and made something of a habit of beating touring teams. Most of its national heroes are cricket heroes, Sobers' image appears on more than one Barbados postage stamp.

Even more than anywhere else in the Caribbean, West Indian colonies, cricket has been far greater than a game in Barbados: it has been an integral

part of the island's social development and when things start to go wrong, questions are asked.

Yes, standards are down at local club level but there are reasons. Ironically, one has to do with the standard itself. Because it has been so consistently high, Barbadians are in constant demand as professionals over the sea and as many as two dozen are off every year on contract to English, Dutch, Australian and even, South African clubs.

This exodus necessarily depresses the quality of the domestic competitions with obvious long-term effects. Additionally, sports such as tennis, basketball and hockey are now catching the interest and attention of those who would previously have gone into cricket. The gradual decline of the intricate art of preparing proper pitches is another reason that has been advanced.

300 matches

For all this soul-searching, cricket's interest and influence remains strong and pervasive. Crowds of 5,000 or 4,000 have been turning out on Sundays for the inter-club knockout competition. There are nearly 200 matches organised by the Cricket Association of Barbados every Saturday afternoon throughout the season that runs from early June to mid-December.

Over 2,000 players are involved in competitive play with in the geographical confines of 166 square miles. All are aiming to attain the fame and fortune the game now affords those at the top, still a compelling attraction for the young player.

Crisis indeed, some might say, but the example of Yorkshire, England's Barbados, is cautionary.

Their recent decline on the field has led to traumatic repercussions off it and Barbadians are well enough informed to know that it can happen here as well.

The other current issue of concern surrounds England's

tour of the West Indies early next year, complicated as it is by the inclusion in the team of players who have not earned a three-year suspension for playing on an unauthorised tour of South Africa in 1982.

The series holds intriguing possibilities following England's recent revival in the Ashes triumph over Australia in the summer and the political public in Barbados is keen for the contest to go ahead. Yet the pressure is mounting from political, trade union and church groups throughout the island for it to be cancelled because of the presence of the so-called South African "rebels".

The fact that West Indians who made a similar tour subsequently have been banned for life simply aggravates the issue.

Nor are cricket officials the only ones keeping an anxious finger on the political pulse. The England tour has whipped up tremendous interest in England as well and tour operators confidently expect as many as 5,000 tourists in Barbados for the fortnight of the matches. Should the tour be cancelled, that would mean a loss of around US\$5m, significant at a time of economic depression.

Cricket, in fact, has provided the direct link to Barbados tourism for the past decade or so, with the increasing popularity of holiday-tours by teams mainly from Britain.

The Board of Tourism has now set on the idea and its Sports Barbados programme is enticing groups for windsurfing, running, hockey, netball and other sports.

The cricket teams that come, even the very strongest, usually find the local opposition too strong for them. Some, admittedly without several of their top players but with Ian Botham at the helm never the less, lost their four matches to club sides earlier this year.

That, according to the ever-critical Barbadians, proves only that standards have dropped elsewhere too.

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Image switch for the dark stuff

Rum
FRANK GRAY

NO CONVERSATION among knowledgeable tipplers about rum is complete without reference to Barbados.

The history of the island, discovered by the Spanish but developed by the British in the days of Sir Francis Drake shows that it was among the first places in the Caribbean to distil molasses into spirits.

Seventeenth century British colonial accounts from Bridgetown often refer to a drink called rumblution, probably a derivation of rebellion and rum-bustious, feelings the drink engendered in those who consumed it.

Three centuries later, this island's two major rum producers point out that all this was a long time ago. Come the days of Nelson's Blood, the overproof dark rum drunk until the 1960s by the Royal Navy and many other Commonwealth navies. Rum, they insist, should be thought of now as a smooth, usually gold-coloured or clear spirit, able to take its place alongside Scotland's top marque whiskeys.

"As far as Caribbean drinkers are concerned, the dark stuff went out a century ago," said Mr. Patrick Mayers, chairman of Hamsell, Imela, a Barbados group founded a century ago by Valdemar Hamsell, a Danish sailor. The company controls Cockspur Rum, which, with Mount Gay, an equally venerable brand controlled by Foremost McKesson of the US as the island's most popular rum.

Unfortunately, because of the British navy's expertise, we are still having to combat the notion that rum is a heavy, dark drink.

The British connection has, over the centuries, been responsible for the rise, fall and, hopefully, a renaissance in the international sales of Barbados rum. The country's rum shipments to the American colonies boomed until the War of Independence in 1776, when the market became closed, thanks to the decades of rift between the new republic and the mother country and the protective Washington gave to the newly-developing bourbon whiskey industry.

It was not until this century that the industry began to recover, because of large consignments sent to the Royal Navy during the Second World War.

The emergence of the Cuban-based Bacardi family as a major shipper of rum set back the Barbados manufacturers, and their British West Indian competitors in the years after the war. While the Bacardi move into light rum has given the drink worldwide respectability, they have continued to dominate the world market, despite their unceremonious exit from Cuba in 1961.

Mr. Mayers is confident about his country's product quality, but accepts the need to shake off the shackles of the past and sell to new markets.

Mr. Mayers, who is also chairman of the West Indies Spirits and Rum Producers Association, is grouping rum producers in most of Britain's former Caribbean colonies, believes the key to success is a breakthrough in the sale of "blended rum", that is, brands bearing the name Cockspur and Mount Gay.

Barbados's two rum producers are now distilling 3.5m litres a year, about 2.5m of which is shipped mainly to Europe, Canada and, increasingly, the US. This output is far below the 8m litres capacity the industry has at its disposal. Foreign exchange revenues are just \$6m a year, but could easily climb to \$14m with a little luck.

Cut-rate prices

Freeing themselves from the uncertainties of the bulk market would liberate them from unfair competition as practised by France. The French, they say, are importing large quantities of bulk rum from Reunion, a dependency, which is blended in Europe and sold at cut-rate prices. Reunion rum is not subject to the quotas of the Lomé Convention, which affect Caribbean rum makers. Still, while the battle is uphill, the outlook is more optimistic than it has been in decades. This is largely due to the Caribbean producers' success in getting rum included as a duty-free and quota-free product able to enter the US under terms of the Washington Administration's Caribbean Basin Initiative.

The Caribbean distillers had to fight hard against opposition from Puerto Rico and the US Virgin Islands, both of which have lost their US trade advantage.

The British market also looks like generating firm over the next five years for Cockspur, thanks largely to a recent marketing accord with Saccione and Speed, a sales unit of the Courage brewing concern.

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RESOURCES REVIEW

Why Indonesia is turning from oil to gas

By Paul Betts, recently in East Kalimantan

THE MAIN road in Balikpapan, the Indonesian oil city, seems to be in a permanent state of congestion. Several miles long, lined with a few unhappy palm trees and a multitude of shops and dusty stores, the pot-holed road teems with cyclists, battered communal taxis, old lorries, and buses with wooden seats.

But for all the confusion, and the noise, there is a sense of prosperity in this rambling city of 300,000 people on the eastern coast of Kalimantan on the Indonesian part of what used to be known as the island of Borneo.

Balikpapan has prospered for the past 15 years as an oil city. Further up the coast, past the small airport which after the capital Jakarta is today the busiest airstrip in Indonesia, the French Total oil group discovered one of the country's largest oil fields in the muddy tributaries of the Mahakam river delta, flanked by a thick jungle of palms.

Offshore, Total and Union Oil of California found smaller oil fields and more recently major gas discoveries have been made by the French company in the offshore area around the Mahakam delta.

However, the fat days of oil are beginning to wane. Production at the giant Hundil field in the Mahakam reached 500m barrels this year and is now declining. No major oil discoveries are expected to be made in the area and indeed in Indonesia in general. At a time of soft energy market conditions, Indonesia and companies like Total are having to turn increasingly towards gas.

"Indonesia is turning increasingly into a Louisiana or Texas oil play, lots of small fields to be found and produced but no more giants," says Mr Georges Jean-Louis, Total's general manager in Indonesia. "Gas will have to compensate increasingly for declining oil production."

Huge new gas reserves have been found in Indonesia where Mobil already produces substantial natural gas at the Arun field in northern Sumatra. Esso has found a major gas field at Natuna in the South China Sea. For its part, Total, which after the Calfer association between Chevron and Texaco is the second largest oil producer in Indonesia, is now anxious to develop its Tambora gas field in the Mahakam area and eventually its nearby giant Tuna gas field.

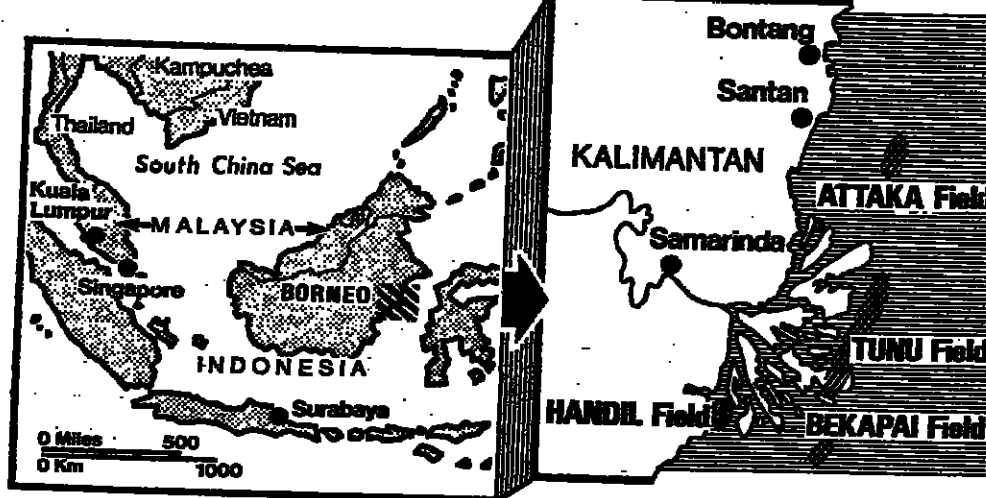
Although the French company

has not completed its studies on Tuna, Mr Pierre Vailland, Total's head of worldwide exploration and production, says Tuna could be the size of one, two, even three times the Frigg gas field in the North Sea. Officials of Pertamina, the Indonesian state oil group, put the reserves at Tuna at about 15 trillion cubic feet (tcf) compared to about 40 tcf for Esso and 13 tcf in Sumatra.

There is little argument about the size of Indonesia's abundant natural gas reserves. There is, however, debate about the time and extent of the development of these resources. Pertamina, the Indonesian government and the Western oil companies are all actively looking for new markets and buyers for Indonesian gas. Indonesia has already become the world's largest exporter of liquefied natural gas (LNG) overtaking Algeria and relying heavily on LNG demand from Japan.

But competition for the Japanese LNG market is growing and has intensified because of the general softness of energy markets. New competition is coming from Australia and Canada, as well as countries like Malaysia, the United Arab Emirates, Brunei and the US with Alaskan production. The Indonesians, with 54 per cent of the Japanese LNG market, are especially worried by the ambitious Dome plan to supply large quantities of Canadian LNG to Japan. "We wouldn't collapse if that project collapsed. It's a real threat," remarked an Indonesian government official. Moreover, there are some doubts about the extent of Japanese future LNG demand. "We must have a pretty firm idea of demand before launching into a new LNG unit in view of the costs of the investment," the official added.

Oil companies and Pertamina are continuing to cultivate good relations with Japan in the hope of increasing LNG sales. Total, for example, makes no secret of its efforts to develop strong ties with Japan through its exploration and production association with the Japanese Inpex oil group. It was through Inpex that Total discovered the Hundil field. Originally, the field was on a permit held by the Japanese company. But Inpex had little experience of oil exploration and decided to farm out part of the permit to Total which then struck oil. Since then, Total has always sought to work with Inpex in Indonesia.



offering the Japanese group stakes in all new permits and exploration and development activities in Indonesia. "It is one of the very rare examples of success in oil exploration for a Japanese group. As a result, we have managed to forge excellent ties," remarked a Total oilman in East Kalimantan.

But good relations with Japan (Mr Francois-Xavier Ortoli, the Total chairman and former EEC commissioner, recently led a Total delegation to Japan) are hardly enough to create the new demand to develop Indonesia's gas potential. Indonesia and the big oil companies have thus been actively looking for new buyers and markets. As part of these efforts, Indonesia is now in final negotiations with Taiwan to sell it 1.5m tonnes of LNG a year under an 18-year contract. It succeeded in negotiating a 2m tonnes a year long-term contract with South Korea last year, with first shipments due to begin in 1987.

The current negotiations with Taiwan provide a good example of the pressure on producers like Indonesia to win new supply contracts at a time of depressed energy prices. For the first time, Indonesia has offered more flexible "take or pay" terms to Taiwan in an effort to clinch the deal. Indonesia has agreed to allow supplies under the contract by about 10 per cent or two ship-ments out of 27 annual LNG shipments a year. As a result, Pertamina officials appear confident that they will sign the contract in the first quarter of next year.

The contract will enable the development of Total's Tambora field at a cost of \$150m and the go-ahead to be given for the construction of a 2m tonne LNG unit at the Bontang LNG complex in East Kalimantan which already produces 8m tonnes a year from four LNG units. The new unit including an LNG transport ship will involve investments of about \$800m. Total is hoping that new LNG supply contracts will be secured to justify the development of the larger Tuna gas field nearby which would also involve construction of a \$1bn LNG facility.

Indonesia's more flexible approach to long-term LNG gas contracts is welcomed by oil companies. But the Western groups would also like to see Indonesia introduce more flexibility in the fiscal and contractual regime for oil companies, operating in the country, a member of Opec and the world's 12th largest oil producer.

The existing production sharing contracts between Pertamina and foreign oil companies have not provided much incentive for new operators to start up new activities in Indonesia. Although foreign oil contractors have a 34.1 per cent share compared with 65.9 per cent for Pertamina in the production sharing contract, by the time 56 per cent income tax is deducted and the contractor has fulfilled the obligation to supply 25 per cent of his share of oil to the domestic Indonesian market at a price of 20 cents a barrel, the contractor is left with 10.3 per cent and Pertamina and the Indonesian government with 89.7 per cent of the contract. "On a 100,000

barrels-a-day field producing an annual income of \$803m after deducting depreciation and development costs, the oil contractor will end up with \$22.6m and the Indonesians with \$720.4m," said a Western oil company executive.

"For a company already producing and with long-term investments here, Indonesia still provides a reasonable income. But if you had to start from scratch, you would think twice," said the same oilman.

The impact of the fiscal regime for oil companies has nonetheless meant that there have been few new permits drilled in the last three years. "Out of a total of 38 foreign operators in Indonesia, most have not signed a new contract for ten years," said Mr Jean-Louis, the Total general manager. But he added that companies, including Diamond Shamrock, Esso and Total, were about to sign contracts. Total, which also signed a contract in 1983, is at present the most active drilling company in Indonesia.

The French company regards its new exploration and drilling investments as counter-cyclical. It also continues to rely heavily on Indonesia for a substantial contribution in its overall income. Indonesian operations provided FFr 950m in dividends last year to Total whose group profits amounted to FFr 1.3bn. Since 1974, Total and its Japanese partner Inpex have spent \$3bn in the Mahakam area. These investments have generated after all costs and investments are taken into account net revenues of \$1.5bn for Total and Inpex and \$1.8bn for Indonesia, said another Total official.

Oil companies seem reluctant to discuss openly the latest anti-Communist campaign, but they do not disguise their worry. The campaign has created an unsettling atmosphere among workers and oil companies are especially anxious not to lose key trained personnel. "This kind of witch-hunt is not the sort of thing to help encourage greater exploration and production. Indeed, there are signs that not everyone in the government agrees with the latest campaign," remarked a diplomat in Jakarta.

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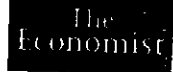
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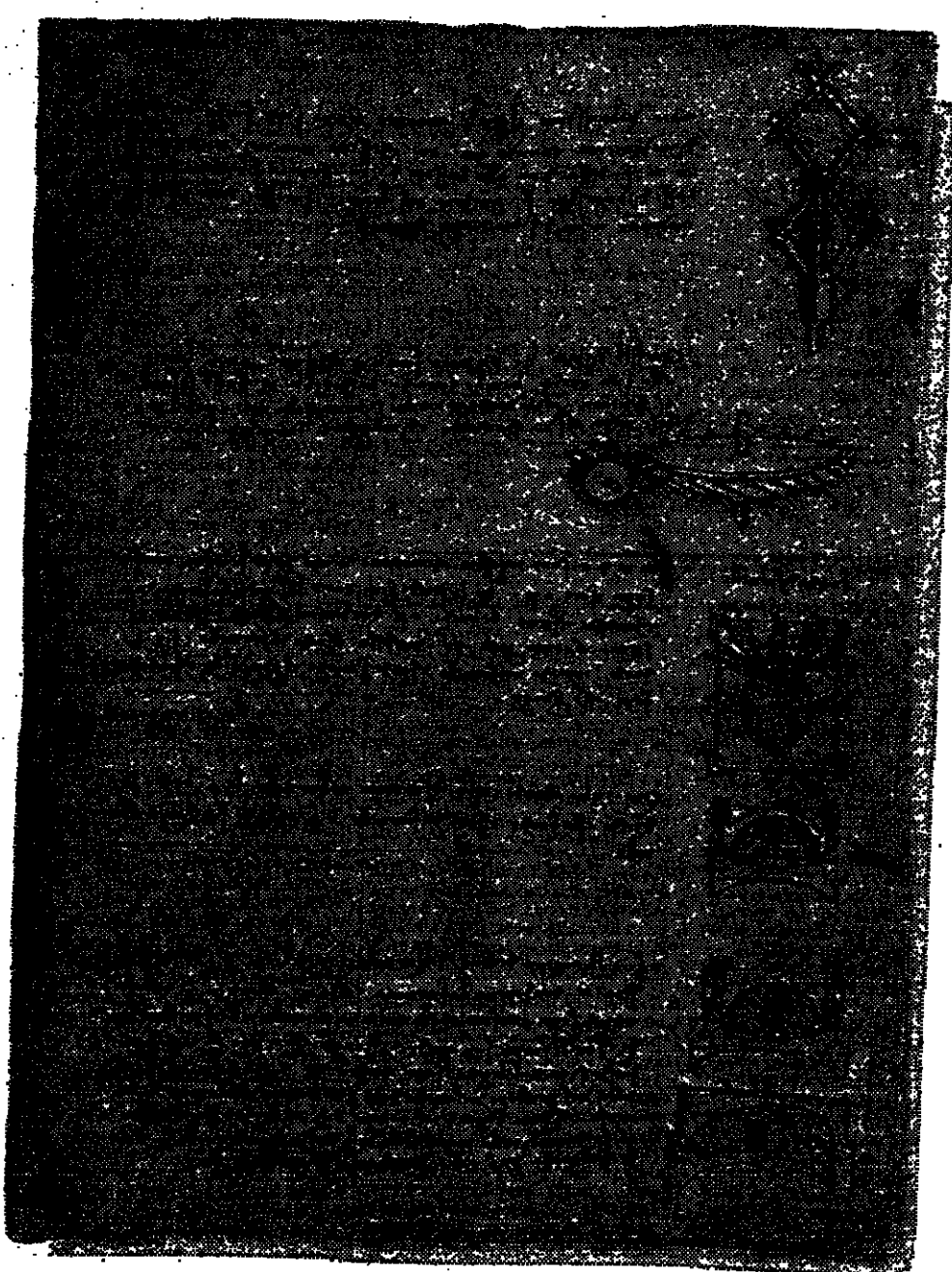
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TECHNOLOGY

Hydraulic torpedo saves old buildings

CIVIL ENGINEERS planning to replace sewers had a problem. The streets in Hitchin, Hertfordshire, through which the sewers run, contain several centuries-old buildings which could have been damaged by the roadworks associated with conventional repair jobs.

As a result the engineers turned to a novel technique where sewers are relined with plastic pushed into the existing tunnel with a hydraulically-powered torpedo-type device.

The effort was successful in that 60 metres of polyethylene pipe was laid in two hours without interrupting traffic and with a minimum of disturbance to existing buildings, some of which are 450 years old.

The work was part of a £200,000 sewerage scheme organised by North Hertfordshire District Council, acting as agent for the Anglian Water Authority.

In the repair operation by contractors E. W. Aven of Caine, Whitby, the torpedo-type device was fired into the existing sewer, dragging behind it a length of pipe.

A vibrating hammer broke up the original sewer and expanded the pieces into the surrounding soil. The new pipe was laid at up to two metres a minute.

Excavation work, a conventional trenching technique to replace sewers, was kept to a minimum.

Precise etching for superchips

A JOINT venture involving French, German and British companies has resulted in an advanced type of etching machine for semiconductor production.

The hardware, made by Electrotech of Littleton-upon-Severn, near Bristol, promises to play a key role in making 1 megabit chips, integrated circuits such as memories that contain about 1m circuit elements such as transistors. The equipment was produced as a result of a £5m research programme involving Electrotech and two semiconductor production concerns—Siemens of West Germany and France's Eurotechnique, a subsidiary of Thomson. The European Commission contributed a third of the project's cost as part of a programme in microelectronics research.

Tiny segments of material are removed in the same way as a carpenter might chisel a hole in a piece of wood

Etching hardware plays a vital part in chip production, in particular in building layers of materials on top of the water of semiconductor (such as silicon or gallium arsenide) on which chips are based.

Above the semiconductor are perhaps seven or eight thin layers of other substances such as metals (aluminium or gold for instance), silicon dioxide and silicon nitride. The layers either form conducting paths or act as insulators between adjacent films.

To form connections between these substances, a pattern is first impregnated onto the upper layer in a lithography (printing) step, which normally involves ultraviolet light shining through a glass mask.

The printing process leaves a film of substance such as silicon dioxide partially covered by a hard material, a photochemical resist, which technicians have previously deposited on the surface. The resist layer contains gaps or "windows" that expose the substance underneath.

In the etching step, a hot plasma (a totally ionised gas) chemically reacts with those parts of the material visible through the windows. Etching machines channel different plasmas to the surface of a layer, depending on the material to be attacked.

These gases normally contain fluorine or chlorine atoms—for instance, they could be carbon tetrachloride, carbon tetrafluoride or boron chloride. Products of the chemical reaction, also gases, are removed by the machine's vacuum system.

In this way, tiny segments of

a layer of material are removed, in much the same way as a carpenter might chisel out holes in a flat piece of wood. The resulting cavities are later filled, in other parts of the production process, which involve deposition of molecules from gases, with layers of other substances, to form a conducting path for instance.

In current versions of etching machines, the hardware can remove pieces of substance perhaps 0.5 microns in diameter. Hardware required for future versions of chips will, however, require still greater precision.

The more circuit elements are packed into a chip (normally about 0.5cm square) the more the diameter of the removed segments is reduced.

For newer versions of microchips, which contain several hundred thousand circuit elements on a small piece of semiconductor, the distance must be brought down to 1 micron. Electrotech says its new machines, which cost £200,000 to £300,000 depending on capacity, are capable of this performance.

The better precision depends on factors such as the control of the flow of plasma through the machine and the degree to which an operator can alter the heating of individual parts of

the plasma chamber and the layer of semiconductor itself. The gas flow is regulated by altering the voltage and current of an electric arc struck across two electrodes.

Under the collaborative research programme, Eurotechnique and Siemens tried out prototype versions of the Electrotech machines on their own semiconductor production lines. Electrotech has orders for four more of the new machines from companies in France and West Germany.

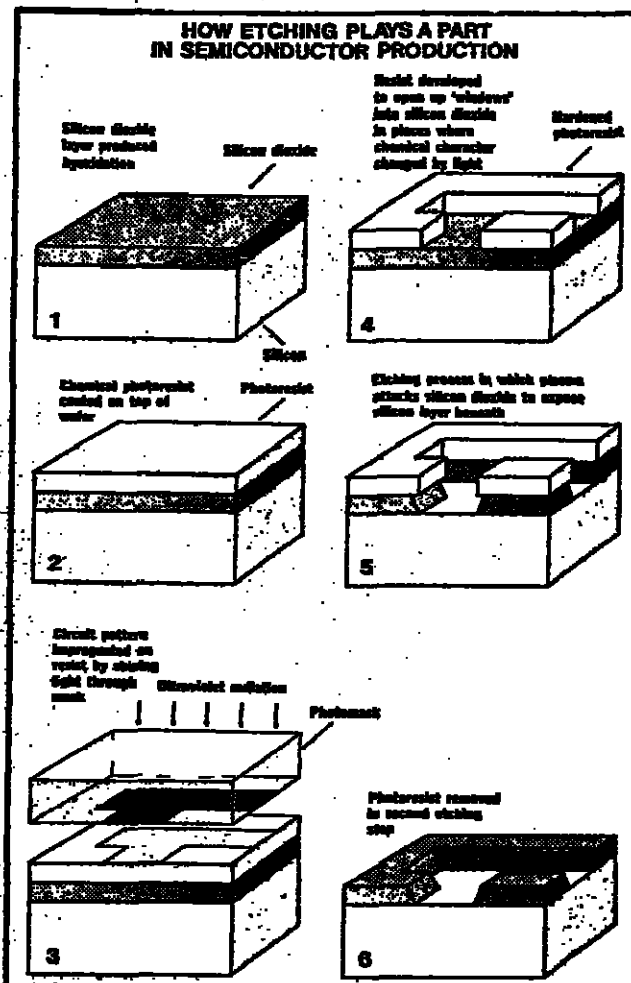
With the new range of hardware, Electrotech thinks it will be in a good position to face up to heavy competition over the next few years from other manufacturers of etching machines. Half the company's £25m annual sales come from

etching machines—it also makes deposition and sputtering apparatus, also used in the electronics industry.

World sales for both etching and deposition machines for semiconductors are worth about \$90m a year. The dominant companies in this area include Applied Materials, Tegal, Plasma Thermo and Lam Research of the US and Anelva and Tokyo Ohka of Japan.

Better precision depends on controlling plasma flow and the degree an operator can alter the chamber temperature

How etching complements the other processes for defining the patterns of circuit elements on a silicon wafer. The procedure above may need to be repeated many times to produce up to eight layers of material above the silicon substrate. Gases used in etching have to attack materials other than silicon dioxide that are used in the different layers.



How etching complements the other processes for defining the patterns of circuit elements on a silicon wafer. The procedure above may need to be repeated many times to produce up to eight layers of material above the silicon substrate. Gases used in etching have to attack materials other than silicon dioxide that are used in the different layers.

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Standard service on database

ANYONE WITH a suitable computer terminal or micro-computer can now dial a British Standards Institution database to discover what standards exist on a specific subject.

Called Standardline, the new service offers a store of information relating to some 10,000 British standards, maintained by BSI on a host computer operated by Pergamon Infoline. Users register with Pergamon Infoline, which provides passwords and bills customers.

There is no charge for registration. Users are billed monthly for using Standardline and any of the other 40 databases on Infoline.

Users simply dial one of three phone numbers according to the speed of their terminal, enter their password and type "BSI." They then use simple commands learned from a manual.

Users can search by standard number, subject, corresponding international standard and in various other ways.

BSI is on 01-629 9000.

Credibility gap 'deters corporate strategy on IT'

AFTER ALMOST a decade of publicity, warnings and exhortations, nearly 50 per cent of UK companies still have no corporate plan for information technology (IT). Eight companies out of 10, on the other hand, plan or have already carried out an IT strategy study.

These are the principal findings of a special survey carried out last month among 340 public and private sector organisations for the Financial Times by the accounting firm Price Waterhouse and the newspaper Computing. Price Waterhouse and Computing have monitored trends in corporate data processing on a quarterly basis for the past five years.

Professor Kit Grindley of the London School of Economics, who designs both the Computing survey and the special Financial Times IT version, notes that companies put forward five principal reasons for undertaking IT strategy studies, only two of which—mainframe computer and communications strategies—were concerned with the technology itself. The biggest single reason given was the need to work to a plan if the potential of the new technology was to be realised.

The survey revealed that 45 per cent of the companies surveyed had no IT plan at all. The list included companies with less than 50 employees and more than 50,000 and in a broad range of industrial sectors from engineering and process control through retailing and distribution to education, research, public administration and finance.

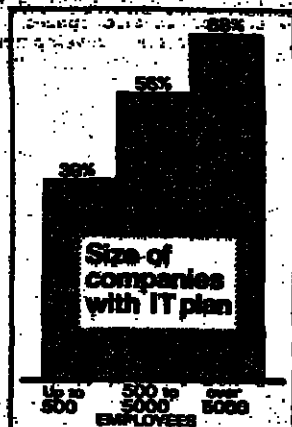
Of companies which had carried out, or were planning an IT study, one in eight was concerned about the future of its management services department in its existing form.

Of those companies which had not conducted an IT study, 40 per cent said there was a lack of top management support for the exercise, while only 5 per cent said they were worried by the cost.

Why, when so many companies are prepared to consider or carry out a strategy study, do they fail to move on to develop an IT plan? The survey showed that almost a third of the companies in this category found it difficult to establish corporate objectives which could be achieved or enabled by using IT. One quarter found difficulty in identifying and measuring the corporate benefits which would result and 15 per cent found the chief difficulty was to involve corporate management in the exercise.

Professor Grindley, a contributor to Price Waterhouse's report, highlighted the dilemma facing

Alan Cane looks at why nearly half of UK companies still have no plan for making use of electronic data processing



many chief executives: "In the 1960s there was a corporate enthusiasm to sign the computer hardware cheque. In the 1970s, this cheque was spent many times over as costs and the number of data processing experts escalated."

"It was all too difficult and remote and the end user found no way of participating. Now in the 1980s, a credibility gap is appearing. A new generation of managers, with cheaper and more friendly technology available, repudiated an informed enthusiasm for using computers. But the management services department, immersed in a backlog of user requests they cannot meet and with most of their experts steeped in yesterday's technology, cannot respond."

"The chief executive sees the potential of IT and he also sees that it does not lie in supporting administration—it lies in supporting front line activities: producing and selling goods and services. But where can he find a suitable team to study what is needed?"

"The frustration of the data processing manager is equally clear. He cannot, on his own, produce acceptable corporate objectives for IT. But, because they suffered from the limitations of yesterday's technology, he often cannot get the collaboration of his senior colleagues in specifying today's."

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Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.

Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.

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Deep thinking. Top results.

REASONS FOR IT STRATEGY STUDY

Size of company by employees	0-500	501-1,000	1,001+
No plan	22	14	31
Had user initiatives	17	16	19
Future management services	13	15	8
Future of mainframes	12	9	10
Use of telecomm.	10	7	10
Lack of IT awareness	10	9	7
Proliferation of user devices	7	2	4
Programming backlog	5	3	4
Data processing budget too low	3	1	4

PROBLEMS IN UNDERTAKING STUDY

	Public sector	%	Private sector
Establishing corporate objectives	34		23
Measuring benefits	30		17
Involving management	13		16
Knowing the technology	12		5
Staffing the study team	11		3
Knowing how to do it	8		

World shipping finance

Anxious days for the banks

IT WAS a shock powerful enough to shake even the most hardened and phlegmatic of shipowners and bankers.

Used as they have become to collapse and near-collapse in shipping, the problems of the Hong Kong-based C. H. Tung Group are some of the industry's severest for years. Tung's difficulties first emerged in September, but their full importance became clear last week.

The news was especially alarming coming so close after the collapse of Sanko Steamship, the world's largest tanker company, which filed in August for protection under Japan's bankruptcy laws with liabilities of some ¥1,000bn (\$5bn).

But the operations of the Tung Group in deep-sea and offshore shipping and container terminals are more widely spread around the world and have been financed by a host of international banks.

Most shipping markets have been in the doldrums for several years, so banks have become more and more worried. But the situation is now so serious that most are cutting back on loans to the industry, or pulling out.

It was not just the size of the debt owed by the Tung companies that shocked the industry, though at around \$2.5bn (\$1.7bn), it is high by shipping standards. It was also the fact that the Tung name, one of the best-known, had shown itself fallible.

In the 1980s, shipping has suffered from over-supply, exacerbated by the expansionist ambitions of many shipowners. In Hong Kong, the contrast between the growth-oriented policies of Mr Tung and the more cautious banker-like approach of Sir Y. K. Pao, has been marked.

While Sir Y.K. has trimmed his fleet, has no ships on order and has diversified his companies into property, airlines and other businesses, the Tung Group has mostly expanded in the maritime sector, with a current programme of 25 new ship orders in Japan for container, tanker, and bulk cargo vessels.

Under a restructuring plan, a new container group will be formed from Orient Overseas (Holdings) Ltd (OOHL), the Tung company quoted in Hong Kong. The idea is that the 23 container ships will continue to trade profitably, but separately, and help cut OOHL's indebtedness of over \$1bn.

In Tokyo, the 70 international banks owed a further \$1.2bn by the private Tung companies—at the centre of the group's difficulties—have discussed with Mr Tung how to restore interest payments, which stopped in September.

Mr Tung and his managers gambled that markets would turn up and that owning modern ships would then pay off. But it has proved a costly mistake. As Mr Tung said last week, "Shipping today is no joking matter. It is so bad we can hardly smile."

There is certainly little to smile about now. Banks, already jittery after the recent failure of Sanko and of Sweden's Selen and Irish Shipping a year ago, are even more anxious.

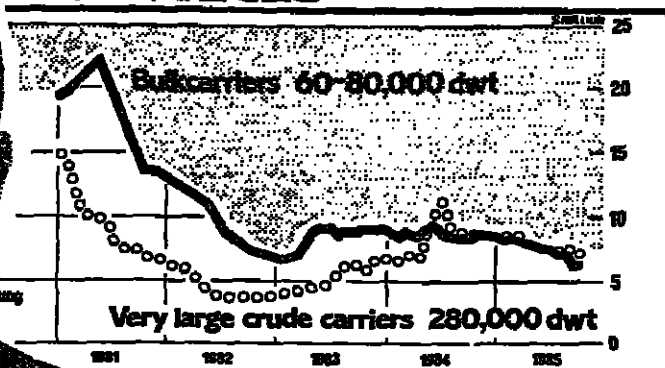
Keen in the past to lead to owners, they now find the going anything but smooth. "It's a monstrous market," says Mr Dan White, shipping analyst with UK stockbrokers Laurence Prust. "The industry's full of black propaganda."

Thus the spotlight is falling more and more on the big names. Many believe the full impact of Sanko's bankruptcy has yet to be felt in shipping and shipbuilding markets. Sanko's bankruptcy in 1983 by ordering 125 bulk carriers, most of which have been delivered.

Those who take over operation of Sanko's ships will not have to bear their heavy financing costs and will thus be able to run them more cheaply and at lower rates.



SHIP PRICES



The Tung problems could have a similar effect. Some shipowners feel the scale of the latest problems will also make it harder for other companies to raise money.

In past years, this has been far from the case. Rough-and-ready estimates put the size of the banks' exposure to shipping at up to \$70bn.

A sizable slice of this must now be at risk, though banks are coy on the state of their shipping portfolios. ECS Marine, a British credit rating company, estimates banks will have to write off as much as \$20bn of their debts in the next few years.

ECS reckons this is conservative, though not all banks are so gloomy. But one of the biggest, Bank of America, has cited shipping as a big problem area.

In recent years, it has been an enthusiastic lender to the sector. Whether in Hong Kong, Scandinavia, or the US, there is no shortage of speculation about well-known companies being in trouble. "An awful lot of shipowners are very, very stretched," said Mr John Scully, a senior vice-president responsible for ship finance at Morgan Guaranty in New York.

Few would have forecast a few years ago that most freight rates would be so low in 1985, thus preventing owners of new, fuel-efficient ships from covering their financing and operating costs.

Tanker rates, however, long depressed, have shown some recovery, though from very low levels. Spending on super tankers was heavy in the early 1970s. But the latest investment spree has been in container shipping, where Evergreen of Taiwan and United States Lines have led with \$1bn investments in ships and equipment.

As a result, rates in containerised liner (scheduled service) shipping have also been depressed, though from very low levels.

Some bankers saw the Hellenic foreclosure as a watershed for the industry, after which banks began to stop nursing clients and hardened their hearts.

Morgan Guaranty did this late in 1983, with Hellenic Lines, run by Mr Gregory Callimachou. Over-expansion had compromised the company's financial situation at the Greek liner company, and the family owners would not put up any equity.

So after a default on an \$80m credit, Morgan as the lead bank began to have the ships arrested. The financial cleaning-up process, including resale of the vessels, has taken two years.

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Gatt and trade in services

How we can resolve the North-South debate

By Jagdish N. Bhagwati

THE question of bringing world trade in services under an international compact, in the way the General Agreement on Tariffs and Trade oversees goods trade, casts a shadow over the annual Gatt meetings that started on Monday.

The adversaries are familiar. The US leads the efforts to include services in the proposed new Trade Round. India, Brazil, and Egypt are among the important developing countries that object, threatening the initiation of the Trade Round if Gatt is to operate under its traditional consensus. US is evident in open threats to penalise these countries for reluctance.

Mr Clayton Yentler, the US Trade Representative, suggested in recent Congressional testimony the exclusion of these countries from a renewed generalised system of preferences by the US—concessions given by developed countries to imports from the developing world. Proposals are also circulating suggesting the regional, bilateral route with "like-minded nations" if necessary.

The confrontation is most unfortunate. But the "high noon" atmosphere is avoidable if only the US and its sympathetic but circumspect allies such as Mrs Thatcher's Government, address these developing countries' concerns.

The key lies in recognising that, despite the occasional rhetoric on behalf of world efficiency from having a service trade compact, the US negotiators have unwittingly tended to focus on services of interest to them instead of seeking mutuality of interests within the broad service sector itself.

This has much to do with the factors that have propelled the US into its catalytic role on service trade. Certainly the force of the economic philosophy of free trade, and the obvious logic that it should apply to service transactions as well, has been important. However, the principal thrust has come from lobbying by specific service sectors. Successful political pressure has resulted from the global outreach desired by multinational banks and corporations in the telecommunications sector, and later by companies providing insurance, accounting and other business services.

In turn, arguments of national interest have served to buttress these efforts. Increasingly, US export advantage is seen as having shifted to service transactions. It is, therefore, considered unfair to have US markets open to goods while foreign markets are closed to US services. This is simply another instance of the increased demands for "level playing fields." Also the insistence on opening foreign markets to US service sectors is part of the strategic alternative to a protectionist response to the trade deficit.

As a result, the notion has spread that service trade is for the export benefit of the developed countries. The mutuality of interests in trade negotiations must come from developed country gains on trade in services and developing country benefits from trade in goods.

But these positions appear unfair and hence unacceptable to the objecting developing countries. If service negotiations are going to reflect the export interest of the developed countries, what do they get?

"Roll-backs" of voluntary export restraints standstill on new protection on goods of interest to the developing countries have been suggested. But the developing countries see all recent and threatened trade barriers on goods as de facto violations of Gatt obligations anyway. Protectionist roll-backs and standstills on goods trade are seen therefore, not as concessions, but as acceptance of existing Gatt obligations. In short, since services are a new area not contemplated as subject to the original Gatt protocol, they think they are being offered a raw bargain: an unrequited concession on services masquerading as a quid pro quo agreement.

The quid pro quo must, therefore, be sought within the service sector itself. Among the most obvious services where many developing countries have recently developed such trading

advantage is in the construction sector. South Korea, India, the Philippines, Egypt, Pakistan and a growing number of developing countries are already waiting to do again in the developed countries what they have been doing in the Middle East: building highways, hospitals, schools and playgrounds, using skilled and unskilled labour from home.

There is also an added advantage in enlarging the scope of service trade negotiations in this way. The obvious difficulties in moving towards a freer market in such services as construction would bring home to the developed country negotiators that their nations also have serious difficulties with opening their markets, fast and fully, in service sectors such as banking and telecommunications.

Thus, banking raises issues of monetary and monetary control, whereas telecommunications is generally regarded, not just by India and Brazil but also by France, as a field that simply cannot be left to the market place.

In short, we cannot realistically expect that such service sectors can be brought together under a Gatt-type "rule of law" trade regime. "Who gets what," not just "what rules do we play by," becomes a critical question. Quantity outcomes become relevant. The analogy has to be partly with arms negotiations: we would not expect nation states to leave the location of defence production to be determined by market forces.

It is evident, therefore, how we should proceed. The scope of the negotiations must be augmented to include service transactions such as construction where the developing countries enjoy export advantage. Generous safeguards about the volume of trade should be permitted in sensitive sectors such as banking, telecommunications and construction. Developing countries would then recognise true mutuality of advantage and fairness, rather than the current force majeure, in the service-trade compact that is sought. This could indeed bring them on board.

The author is Arthur Lehman, Professor of Economics at Columbia University, New York.

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Curbing EEC grain output

From the Managing Director, Torc Mill

Sir,—Until the German Minister of Agriculture last April blocked the expected reduction of grain prices, most people in the grain trade believed a slow but satisfactory policy existed—gradual reduction of EEC to world prices with a faster reduction of support prices to control CAP expenses.

We had begun to formulate animal feed rations with a higher proportion of grains, expecting them to be competitive with "cereal substitutes," and looking forward to changing livestock operations with cheaper domestic inputs.

The processors and merchants provide a cure for the surplus and benefit both themselves and the general public, is being overlooked in the wish to find a reducing farmers' solution of reducing supplies and maintaining prices.

It is particularly ridiculous that after a disastrous Scottish harvest we now find that wheat and barley stored in intervention is unsuitable for milling and malting and that we have to import from elsewhere. This completely misses one possible benefit that might have existed from intervention. The grain in store will still have to be subsidised for export.

The answer to the grain surplus was there—still there—a gradual but definite reduction in prices over a suitable period of time to allow cereal farmers to adjust their costs, structure and processes to expand their capacity, while at the same time curtailing disposal costs by increasing quality standards for intervention.

O. T. Griffin, Harbour Road, Inverness.

Dispute over Tribune

From Mr John Sukin MP

Sir,—My attention has been drawn to an article by Ms Van Hatten (November 22) under the heading "Dispute over Tribune settled." For the sake of accuracy I should like to point out the following.

The dispute did not begin when the paper attacked me as the Party's Defence spokesman. The dispute arose over the purported issue of shares to certain members of the staff in an attempt to wrest shareholders' control from the existing shareholders.

When the action started I was not a shareholder let alone a principal shareholder. My total shareholding since then has increased from zero to one. At no time have I issued a writ against the paper or any member of its staff.

Letters to the Editor

While I would not agree that Tribune under Nigel Williams has become "reliably dull," at least reliable dullness is better than slipshod untruthfulness.

John Sukin, 83-91, Victoria Street, London, S.W.1.

Paid pipers not playing

From Mr R. Inchley

Sir,—What a topey-turvey world that we should allow those whom we elect and pay not to allow us to witness them at their work. Surely we should be doing the voting?

R. A. Inchley, 9 Dale Meadow Close, Solihull Common, Coventry

Investing funds

From Mr A. Wilkie

Sir,—In 1984 life assurance companies and pension funds invested some £16.5bn, of which £4.7bn was lent to the government and £5.1bn was used to buy UK company securities.

London Business School suggests (November 25) that next year companies' contributions to pension funds could be reduced by £5bn a year, with a resulting increase in corporation tax payable of £1.75bn. This would result in companies having £3.25bn in their own accounts for investment either in capital projects or in securities instead of having £5bn in their pension funds.

Who would then fund the PSBR, and who could then buy British Gas?

A. D. Wilkie, R. Watson and Sons, Watson House, London Road, Reigate, Surrey.

Availability of C & W

From the Chairman, Wider Share Ownership Council.

Sir,—Reviewing the Cable and Wireless prospectus, Lex (November 22) comments that "it seems illogical to offer (institutional) investors high fees and a cut price for shares which they are anxious to buy in any case."

This must surely qualify as the understatement of the year. Such arrangements are just illogical: they are manifestly negligent of the interests of the existing owners, i.e. the taxpayers. The process was, of course, originally and

most forcefully exemplified by the British Telecom issue, where the shares had special features which made them demonstrably more attractive to individuals than to the institutions for whom so large a proportion of them was reserved.

This council, as must by now be well known, takes the view that it is in general, better for shares to be owned directly by individual citizens than by the trustees of pension funds over whom citizens have no control. Leaders of at least two of the three political parties are on record as holding similar views. Yet privatisation issues, which constitute the biggest and most welcome encouragement of wider share ownership yet seen, are still not so constructed as to maximise personal acquisition of the shares. Even the increased public availability envisaged in the C and W issue is apparently to be ensured only if the issue is heavily oversubscribed.

The C and W prospectus is a welcome step in the right direction, but it does not go nearly far enough. If the institutions are not merely to be paid but actually disposed to acquire privatised stock, why can they not simply act as underwriters in the normal way—and for the standard fees?

Edgar Talamon, 94, St Paul's Churchyard, E.C.4.

Lawyers and their assistants

From Mr N. Sherrard

Sir,—In pinpointing the reluctance of many practising lawyers to involve themselves in detailed figurework, Mr Giddy (November 22) has identified a major stumbling block to the satisfactory resolution not only of commercial fraud cases but of much other litigation.

The solution, I would suggest, lies not in greater specialisation of legal personnel but in more thoughtful selection of the right professionals to assist. While many counsel perform, rightly, be unwilling to perform a mass of detailed unravelling, most will look kindly upon a well-reasoned and lucidly expounded analysis of the very matters which hinder their own understanding of and, hence, their ability to present the case.

Barristers and solicitors are experts in the law; they are seldom accountants or doctors. Nor is it reasonable to expect them to display a full mastery of a discipline which is not their own. The lawyer's need

is for proper briefing on matters in which he is not expert by an adviser possessing the necessary background. Most lawyers are neither innumerate nor incapable of understanding the complexities of accounting figures as long as these are explained in a properly digestible fashion.

It seems no more sensible to expect lawyers to regard as routine much of the work which Mr Giddy describes than to ask counsel in a murder case to conduct the autopsy. In either instance, specialist assistance should be called for as a matter of course. The drafting of a suitable specialist on to the legal team, preferably from an early stage, leaves counsel free to concentrate on his principal tasks of mastering his brief and communicating its content to judge and/or jury. In general, a better presentation of the case results and costs are saved by the location of ships the bank has had, or may have, arrested. Their unlikely or unwise owners have defaulted on loan payments, or are sailing financially too close to the wind.

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However much the Government's determination to pursue fraudsters through the courts may appear to fluctuate, both criminal and civil cases involving complex figurework are here to stay. The public interest demands that they be properly understood. Nicholas Sherrard, Overdale, Berks Hill, Chorleywood, Herts.

Sufferers from the summer

From Mr D. Lamb

Sir,—I notice that some politicians were recently pleading with the Government for financial help to farmers who had suffered from the cold wet weather this summer.

While not wishing to be uncharitable to farmers, I cannot see why similar pleas could not be made on behalf of ice cream vendors. The latter get no concession on rates and are not a class especially favoured by the EEC. I wonder if there are many Members of Parliament who are part-time ice cream vendors?

D. B. Lamb, 2nd Floor, 29 Kirkgate, Bradford.

Charging by the banks

From Professor M. Cranston

Sir,—Am I alone among readers in being disturbed by the rapacious charges imposed nowadays on customers by certain clearing banks?

Last week a transfer of \$175 from New York was credited to my account by the National Westminster Bank with deductions of 15.19 per cent for charges. Is this a record?

(Professor) Maurice Cranston, London School of Economics, Houghton Street, W.C.2.

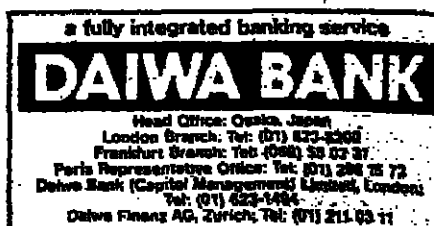
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Get more details. Contact Mike Morgan on 0652 613131. Or write to Telford Development Corporation, Prior's Hall, Telford, Shropshire TF2 9NT. Meanwhile, don't print too many cards with your present address on.



Wednesday November 27 1985



BHP buys Monsanto energy unit

BY LACHLAN DRUMMOND IN SYDNEY

BROKEN HILL Proprietary (BHP), the resources group which is Australia's largest public company, has taken a further large step in internationalising its energy interests with the announcement yesterday that it is to pay US\$745m for Monsanto Oil, an offshoot of the US chemicals group.

The disposal ends Monsanto's involvement in oil and gas exploration and production, following a separate sale of its UK interests earlier this month.

Monsanto Oil will provide BHP with reserves of 74m barrels of oil and 730bn cubic feet of gas, being produced at the rate of 10,000 barrels of oil and 86m cu ft of gas a day. These are mainly onshore in the US, although it also has extensive exploration tracts in the Gulf of Mexico, Canada and Colombia.

Late last year, BHP spent \$504m buying Energy Reserves Group (ERG), based in Wichita, Kansas, and subsequently renamed BHP Petroleum (America). The Houston-based Monsanto Oil is to be merged with it to form a BHP division with combined reserves of 100m barrels of oil and 966m cu ft of gas.

BHP said yesterday the acquisition represented an effective purchase price of US\$3.10 per barrel of oil equivalent. It paid a little more than \$7 a barrel for the relatively more productive ERG fields.

The 10,000 barrels-a-day production of oil and condensate for Monsanto is drawn from 1,000 separate properties. It returned an average \$33m in pre-tax profits in the last three years, suggesting it would not immediately pay its way after financing costs.

The heavy spending on US oil brings to some \$550m the amount BHP has laid out in the past two years to position itself as a major world resource supplier. These purchases have included General Electric's Utah operations and the recent AS11m move to buy CSR's interest in the Mount Newman iron ore operation and Theiss Damper Mts coal venture.

Mr Graeme McGregor, BHP's finance director, said in London last night that the \$745m purchase price for the Monsanto assets would be met out of the proceeds of a \$1bn Eurobond offering, which the company signed with a syndicate led by County Bank last Friday.

Prompt use of the \$700m note issuance facility and \$300m Eurobond commercial paper programme, Mr McGregor added, should scotch rumours that BHP's borrowings had been made to bolster its defence against unwelcome takeover bidders.

Paul Taylor writes from New York: Monsanto, the fourth largest US chemicals group, put its oil and gas interests up for sale earlier this year when it agreed to acquire G.D. Searle, a US pharmaceuticals group, for \$2.7bn. The planned disposal was part of a debt-reduction programme announced by the St Louis-based group at the time of merger agreement with G.D. Searle. The merger was completed in early October.

The sale price for the oil and gas division is broadly in line with Wall Street estimates - and with suggestions that Monsanto could raise about \$1.4bn through asset sales. Earlier this month Monsanto announced a further restructuring programme including additional disposals, asset write-downs and cuts in its workforce and said it would take a \$550m after-tax fourth-quarter charge as a result. The restructuring is designed to

streamline operations, reduce dependence on bulk petrochemical products and refocus the group on more specialised technology-driven industries.

Dominic Lawson in London writes: BHP had sought to buy Monsanto's UK oil and gas interests in addition to those in America, but was outbid for the British portion by Amerasia Hess of the US, the Australian company confirmed yesterday.

Monsanto said two weeks ago that it had sold its North Sea interests to Amerasia, but refused to reveal the price. It is believed that the assets fetched \$120m, with BHP underbidding by about \$20m.

BHP Petroleum set up an office in London a year ago with the intention of building up a UK-based oil and gas exploration and production company. It planned to acquire UK oil companies, and last year the share price of Lasso rose sharply on hopes that BHP would bid.

However, the UK Department of Energy has since indicated to BHP that it would oppose hostile takeovers of UK North Sea oil companies by foreign concerns.

See Lex: Stock market reaction, Page 50

Warner Lambert to sell medical business

By Paul Taylor in New York

WARNER-LAMBERT, the US pharmaceuticals, health care and consumer products group, yesterday announced plans to withdraw from the medical equipment sector. The company is to sell its three remaining health technology businesses as part of a major corporate restructuring which will result in about a \$550m or \$710m share charge against fourth quarter earnings.

The group, which reported net earnings of \$51.2m or 65 cents a share in the 1984 fourth quarter and full year net earnings of \$224m or \$2.81 a share on sales of \$3.2bn, said that proceeds of the planned divestitures will be mainly used to fund a continuing share repurchase programme.

The company, which has already repurchased about 4m shares since mid-1984 out of 6m authorised to be bought back, said its board yesterday approved the repurchase of an additional 8m shares. Warner-Lambert's shares were trading up 5 1/4% at \$41 1/4 after the announcement.

The New Jersey-based group, which earlier this year sold its diagnostics business to Alko, the Dutch fibres and chemicals group, said the plan covers the sale of its remaining hospital supply and medical device businesses, Deseret, Imed and Reichert. The three units together have annual sales of about \$38m or 12 per cent of Warner-Lambert's total, but account for less than 1 per cent of the group's profits.

Warner-Lambert's health technologies division has been under pressure recently, mainly as a result of efforts to control US hospital health care costs which have led to reduced demand for many medical services and products.

Reichert, which manufactures scientific instruments, was the only one of the three units to report sales gains last year while sales of Imed's intravenous infusion systems and Deseret's hospital products declined.

Mr Joseph Williams, Warner-Lambert's recently appointed chairman and chief executive, said that the \$550m restructuring charge covered the write-down of the three businesses to their estimated net realisable values.

The charge also includes other items including the costs of a voluntary retirement incentive programme designed to help reduce management levels and save \$30m in organisational overhead costs, and the cost of consolidating plants in Mexico and the UK in an effort to enhance efficiency and productivity.

Mr Williams said that although the three health technologies businesses are profitable, "intensified competition does not project the margin levels we will be seeking". He added that the sale of the units will permit Warner-Lambert to more strongly support its higher-return core pharmaceuticals and consumer businesses, assuring sustained long-term growth.

The restructuring will take effect retroactively from January 1, 1984 and leave the company with \$34.5m in assets and \$1.14m in bank debt.

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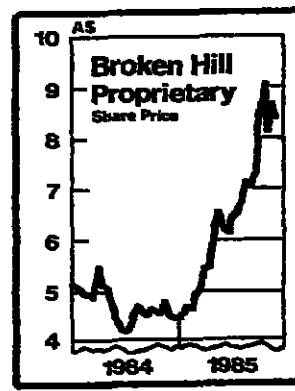
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THE LEX COLUMN

Locking up the SCM jewels

London stock market Cassandras have not enjoyed much of a run for their money over the past month or two, so yesterday's setback was not an opportunity to be missed. The FT-SE Index, they were quick to point out, showed its biggest points drop since February, Wall Street was in retreat and Sheikh Yamani, an old bear market stand-by, was doing his bit to help with gloomy observations about the oil price.



Hanson/SCM

The New York appeals court may think differently, but for the present it seems the law is not going to prevent Merrill Lynch from buying the best bits of SCM. There is a great gulf, apparently, between a defending board's mere failure to ask about relevant matters - like the range of fair prices for its major assets - and actual breach of fiduciary duty. At best, Hanson appears to have proved SCM's directors guilty of the lesser failing.

If this judgment is upheld, it leaves Hanson with a large parcel of SCM shares and a need for quick thinking about what best to do with it. Conceivably, Hanson might make an offer for SCM without its jewels, presumably rather lower than the \$75 offer at present on the table; the existing Hanson stake could certainly be used to block the completion of Merrill's buyout deal. But the value of a denuded SCM to Hanson is clearly not sufficient to justify a very generous offer, and may be too puny to make it worth going on at all.

Simply tendering its holding to Merrill would generate a modest profit for Hanson on the whole transaction, probably more than enough to cover its fees for legal and financial advice. That would be to admit that the preceding battles had been a waste of time and effort, but at least Hanson's forces would then be freed for more effective use elsewhere - perhaps in an eleventh-hour raid on Imperial.

BHP/Monsanto

For a company that prides itself on keeping well funded, Broken Hill is certainly spending hand over fist. The ink was scarcely dry on BHP's US\$1bn Eurobond offering before the bulk of it was committed to the purchase of Monsanto's oil and gas assets (excluding the North Sea). Having spent more than AS2bn in two months on var-

ious sorts of minerals, it will not be long before BHP is back in the markets raising debt or equity or both - even with cash flow running at AS1.5bn a year.

On the basis of a purchase price of US\$745m, BHP is paying about US\$5 a barrel for Monsanto's proved reserves, leaving aside any potential in the exploration acreage. This is around the current US retail price for oil in the ground, even if Monsanto, paying down the US\$3bn raised for its purchase of G.D. Searle, cannot have driven a very hard bargain. On a line for the Delhi auction, or even the market's notion of a bid price for CSR, BHP could never have picked up Australian oil assets for that price; and while the assets might have been no more expensive next spring, BHP evidently wants to get moving. With Mr Holmes & Court making a market in BHP stock, the group will need to show good earnings growth next year after the current recovery rolls by.

Equally, the 17 per cent improvement in the food division despite adverse weather and exchange rates does not, on the face of it, suggest a business better off sold. The Allied share price fell up to 35p, carried down by the market; which suggests only a bear market in the brewing sector will tip LEX in with much of a chance.

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US tries to revive deadlocked talks on Namibia independence

BY PATTI WALDMEIR IN LUSAKA

THE US Government appears to have launched a major new effort to revive stalled negotiations between Angola and South Africa over independence for the South African-administered territory of Namibia (South West Africa).

Dr Chester Crocker, US Assistant Secretary of State for African Affairs, is due to meet a high-level Angolan delegation today in the Zambian capital, Lusaka, for the first talks on the issue since Angola angrily withdrew from the negotiations in July, according to Zambian officials.

The Lusaka Government broke off the talks in response to the repeal by the US Congress earlier this year of legislation which had barred US aid to Unita rebels fighting Angola's Marxist Government.

The Angolans were also under-

stood to have been furious at an alleged South African attempt to sabotage an oil installation in the northern Angolan enclave of Cabinda in May, in which one South African commando was captured and two others killed.

The two events proved a major setback to US efforts to act as a mediator between the two sides. The US has sought unsuccessfully for several years for an arrangement under which South Africa would allow United Nations-supervised independence for Namibia, in exchange for the withdrawal of an estimated 25,000-30,000 Cuban troops from Angola.

At the time the talks were suspended, a wide gulf separated the two sides over the issue of the timing of a Cuban troop pull-out, with Pretoria demanding a withdrawal

within weeks and Luanda, arguing for an extended period which would allow them to adjust to the security problems caused by the Cubans' departure.

The negotiations will resume at a time when Angola is under intense pressure to reach a settlement which might head off moves in the US Congress to begin providing either humanitarian or military aid to the Unita rebels of Dr Jonas Savimbi.

Mr Crocker yesterday held talks with Zambia President Kenneth Kaunda, who has played a major role as an intermediary between Pretoria and Luanda in the past. The Angolan delegation, which was expected to arrive in Lusaka late last night was believed to include Mr Alexandre Kito, the Angolan Interior Minister.

Banks to take 85% of Boskalis

BY LAURA RAUN IN AMSTERDAM

BOSKALIS, the financially troubled Dutch dredging and construction group, plans to spin off its non-dredging assets and nearly all its debt into a trust that will give creditor banks control of about 85 per cent of the company's equity.

The plan, which must be approved by shareholders at an extraordinary meeting on December 20, was unveiled yesterday by Mr Hans Kraaijeveld Van Hemert, chairman, along with the company's 1984 annual report.

The financial restructuring aims to put the dredging operations on a healthy footing so that creditors will have some chance of recouping their loans.

The move involves 53 Dutch and foreign banks and is not unlike the

debt renegotiations of many developing countries.

Mr Kraaijeveld Van Hemert said Boskalis lost \$1.45m (\$158m) last year - more than twice as much as expected.

The Sliedrecht-based company, which successfully fended off one request for bankruptcy, has been plagued by the inability of countries such as Argentina and Nigeria to pay for big construction projects.

Banks and bondholders will receive 19m cumulative preferred shares with a nominal value of \$1.95m for transferring their claims to the trust. The debt amounted to about \$1.2bn, including credit guarantees, at December 31, 1984. The non-dredging assets had a book value of \$1.182m.

The assets will be liquidated for

the benefit of creditors who will hope for capital gains on their preferred shares. A listing on the Amsterdam Stock Exchange will be sought for the preferred shares, which will account for about 85 per cent of all outstanding shares.

Meanwhile, the current common-share capitalisation will be written down by half to \$1.7m.

The restructuring will take effect retroactively from January 1, 1984 and leave the company with \$34.5m in assets and \$1.14m in bank debt.

Mr Kraaijeveld Van Hemert said the world dredging market still suffered from overcapacity and presented a "sombre picture". But Boskalis owned the largest and most modern fleet in the industry

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French banks replace two chairmen

By David Marsh in Paris

NEW CHAIRMEN were named yesterday at Crédit Commercial de France (CCF) and Union des Banques de Paris (UBP), two French nationalised banks which have been at the centre of a squabble over government plans for a link-up.

Mr Gabriel Pallex, the 60-year-old director-general of the Assistance Public national hospital organisation, will take over at CCF, replacing Mr Claude Jouven, who resigned earlier this month.

Ms Isabelle Bouillot, 36, a top civil servant from the Finance Ministry, will take over at UBP, whose present chairman, Mr Lucien Pfeiffer, was embroiled in an 18-month personal conflict with Mr Jouven over links between the two banks.

Mr Jouven resigned because Mr Pierre Bergeyrov, the Finance Minister, refused his demand that Mr Pfeiffer should be removed from UBP. CCF, the tenth largest French bank ranked by assets, is forming a group with UBP and another of the smaller nationalised banks, L'Européenne de Banque.

An umbrella holding company, Compagnie Financière du Crédit Commercial de France, is taking a 51 per cent stake in all three institutions.

Following Mr Jouven's resignation - which gave CCF the task of finding a new chairman for the fourth time since nationalisation in 1982 - Mr Bergeyrov decided to make an example of Mr Pfeiffer by removing him from his post.

World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud		
Algeria	13	15	55	Algeria	13	15	55	Algeria	13	15	55
Amman	18	18	55	Amman	18	18	55	Amman	18	18	55
Baghdad	28	28	55	Baghdad	28	28	55	Baghdad	28	28	55
Bombay	28	28	55	Bombay	28	28	55	Bombay	28	28	55
Buenos Aires	18	18	55	Buenos Aires	18	18	55	Buenos Aires	18	18	55
Calcutta	28	28	55	Calcutta	28	28	55	Calcutta	28	28	55
Cairo	18	18	55	Cairo	18	18	55	Cairo	18	18	55
Colon	28	28	55	Colon	28	28	55	Colon	28	28	55
Dakar	18	18	55	Dakar	18	18	55	Dakar	18	18	55
Delhi	28	28	55	Delhi	28	28	55	Delhi	28	28	55



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday November 27 1985



Bayer forecasts record profit in tougher market

By John Davies in Frankfurt

BAYER, the West German chemicals and pharmaceuticals group, expects record results this year and is confident about prospects next year despite signs of tougher competition in some markets.

Mr Hermann Josef Strenger, chief executive, said business this year had turned out even better than anticipated, but more moderate growth could now be expected after three years of powerful momentum.

Group pre-tax profit surged to DM 2.51bn (\$678.5m) in the first nine months of this year, 14.4 per cent more than in the same period last year. Pre-tax profit of the Leverkusen-based parent company showed sharper growth of 26 per cent to DM 1.23bn.

The Bayer group's worldwide sales revenue rose 8.5 per cent to DM 35.5bn and is expected to exceed DM 45bn for the full year, compared with DM 43bn last year. Parent-company sales were up 8.4 per cent at DM 13.58bn in the first nine months and are likely to exceed DM 17.5bn for the year.

The Agh-Gevaert photographic and electronics subsidiary and other activities involving advanced technology were among areas of high growth. Mr Strenger gave no indication of the likely dividend, but said Bayer would stick to its flexible dividend policy, adjusting its payout according to earnings.

With the West German chemical industry enjoying another good year, it has long been expected in the stock market that the "big three" - Bayer, BASF and Hoechst - will all increase their dividends from the uniform payout of DM 9 per share on last year's earnings.

Mr Strenger said the weaker US dollar would strengthen the export competitiveness of US chemical companies. The first signs of a higher challenge could already be seen in Asian and Latin American markets.

Board of loss-hit Voest resigns

By Patrick Blum in Vienna

THE PRESIDENT and the management board of Voest-Alpine, Austria's state-owned steel, engineering, electronics and trading group and the country's largest industrial concern, have resigned after sudden and unexpectedly high losses for some of the group's companies.

Mr Herbert Apathier, the group president, who joined the company as a junior staff member in the financial department in 1949 and slowly made his way up to his present position in 1977, announced his resignation yesterday. He was nominated business manager of the year in 1984 by an Austrian business journal.

Mr Ferdinand Lacina, the Minister for Transport and the Nationalised Industries, said yesterday that the Government had accepted Mr Apathier's resignation and that the management board would also step down. Mr Richard Kirchweiger, managing director of Chemie Linz, another nationalised group, who has previously worked for Voest-Alpine, is expected to succeed Mr Apathier, a government official said.

Ministry officials said yesterday that losses at Voest-Alpine were expected to be about Sch 41m (\$22m) by the end of the year. Last week Olie, holding company for the nationalised industries, said it expected Voest-Alpine to make losses of about Sch 31m. Last year the group made a loss of Sch 2.4m, not including losses of about Sch 2m in one of its steel subsidiaries.

With about 70,000 workers on its payroll, Voest-Alpine is the largest employer in Austria and it accounts for a large share of exports. The company's troubles grew in the 1970s with the depression in steel and other traditional activities.

Andrew Fisher looks at a hard-pressed US container group's attempt to chart its own course

Sea-Land rejects takeover offer

SEA-LAND, the big US container shipping group, yesterday spurned the approach of Mr Harold Simmons, the Texas businessman who owns a quarter of the shares and has bid \$25 each for the remainder.

The group's terse statement gave little away but confirmed the market's view that Sea-Land would fight to keep its independence after being spun off from the R.J. Reynolds tobacco, food and drinks group in mid-1984.

It left open the question of what it would do next. With its financial adviser, Dillon Read, the company will explore "all available alternatives to maximise value to the company's shareholders."

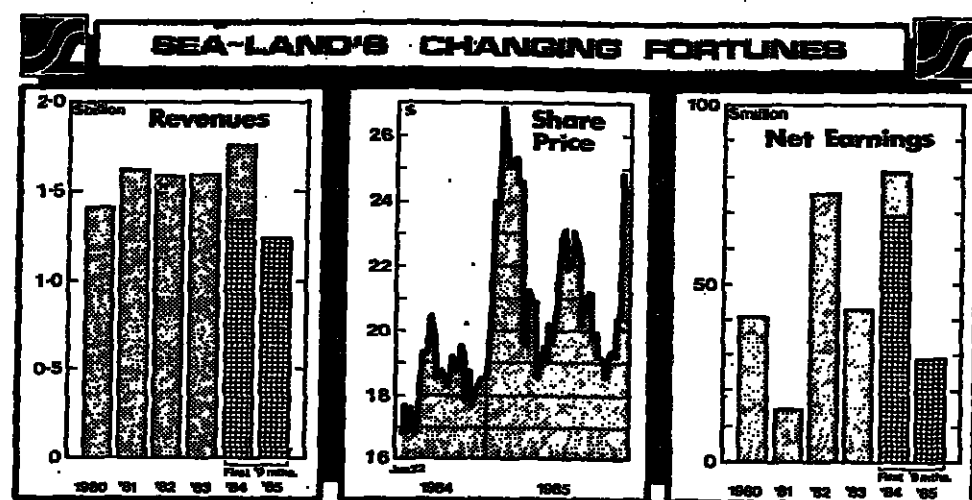
Mr Joseph Abely, Sea-Land's chairman, said this had not been achieved by the cash offer from Contrans, Mr Simmons's Dallas holding company. When Mr Simmons announced his initial 8.1 per cent stake in July, Sea-Land was distinctly cool.

Yesterday, Mr Abely dismissed the offer, saying: "The board does not believe that this highly conditional proposal could have been considered by Contrans to offer value to Sea-Land's shareholders." The Contrans bid values Sea-Land at around \$580m.

Commerzbank, one of West Germany's biggest banks, will "markedly" raise its dividend for this year from the previous 12 per cent level, because of a surge in earnings to new record levels, writes Jonathan Carr in Frankfurt.

Dr Walter Seipp, chief executive, said operating profit of the parent bank would for the first time reach about DM 1bn (\$389.8m) and the Commerzbank group around DM 1.5bn.

He also emphasised that the bank would increase its loan-loss reserves by still more than before, especially to take account of international lending risks.



Mr Simmons - whose business interests include sugar processing, timber, chemicals and steel - has no stake in the hard-pressed shipping industry. He has made his play at a time of extreme vulnerability for Sea-Land and its rivals.

After a boom year in 1984, especially on the US import route from Asia across the Pacific, the container-shipping industry is finding this year tough.

Well aware of this, 54-year-old Mr Simmons has indicated he sees the medium-to-long-term future as favourable for Sea-Land. With a net worth of more than \$300m, Mr Simmons is ranked 28th in the Dallas-Fort Worth wealth league.

Experts see calmer times in shipping as some way off. Sea-Land's third-quarter earnings fell 71 per cent to \$8.2m while American President, which operates only in the Pa-

cific, suffered a 63 per cent slide to \$14.2m.

The problem is lower freight rates, caused by a jump in new tonnage as cargo growth has slackened.

Sea-Land itself has no major shipbuilding programme though one possibility mentioned in the industry was that the group might now go ahead with an order for six new vessels, previously shelved, in-

stead of waiting to pick up cheaper second-hand tonnage.

This could well scare away Mr Simmons as such an order could exceed \$300m. Sea-Land could also calculate that by the time of delivery in two years the market might have picked up.

The bid compares with Sea-Land's net worth of \$23 a share, or \$533m in total, as jointly estimated by US investment bank Alex Brown and UK stockbrokers Laurence Prust. The present fleet value is estimated at below \$270m against the end-1984 book value of \$518m after accumulated depreciation of \$258m.

In the industry, Sea-Land, a pioneer in containerisation and founded by Mr Malcolm McLean, who won the US Lines, has a reputation for efficiency and aggression. It has around 60 ships and operates on major world container routes.

Financially, it is less stretched than some rivals. At the end of 1984, long-term debt totalled \$416m. Cash was \$357m, including \$326m in a capital-construction fund, conferring tax advantages if the money is used to build ships in the US.

Around \$180m of the fund money is committed to building three new ships for sale to Alaska. Sea-Land has also spent \$76m on enlarging 12 container ships.

Commerzbank sees DM 1.5bn profit, bigger payout

Commerzbank, one of West Germany's biggest banks, will "markedly" raise its dividend for this year from the previous 12 per cent level, because of a surge in earnings to new record levels, writes Jonathan Carr in Frankfurt.

Dr Walter Seipp, chief executive, said operating profit of the parent bank would for the first time reach about DM 1bn (\$389.8m) and the Commerzbank group around DM 1.5bn.

He also emphasised that the bank would increase its loan-loss reserves by still more than before, especially to take account of international lending risks.

The rise in interest earnings arose out of an increase in business volume, although the interest margin (the difference between interest earned and paid) fell to 2.52 per cent compared with 2.61 per cent for the whole of last year.

Those interest and commission earnings together, less personnel and other costs, produced a "partial" operating profit of DM 58m - 10.5 per cent more than the comparable figure for last year.

Dr Seipp also disclosed that Commerzbank's profits from own-account trading in securities and foreign exchange had "far more

than doubled" in the first 10 months.

He did not give a figure but forecast that full operating profit ("partial" operating earnings plus own-account trading profits) would rise to some DM 1bn in the parent company and DM 1.5bn in the group for the year.

The bank did not disclose its operating profit for last year, but it is believed to have been about DM 730m for the parent and slightly more than DM 1bn for the group. In each case those results were a bit down on the 1983 figures, hitherto a record.

Commerzbank's profits rise

comes against a background of strong assets growth, with the parent bank's balance-sheet total at end-October DM 79.9bn - nearly DM 10bn more than a year earlier.

The growth shows that the bank's long years of consolidation are at an end. Commerzbank suffered a period of weak earnings at the start of the decade and had to omit a dividend.

This year, the bank has markedly boosted its liable funds - to DM 3.28bn in the parent company and to DM 3.7bn in the group, thanks not least to the issue of DM 425m worth of Genussscheine (profit-sharing certificates).

Kvaerner to buy turbine operations

By Kevin Done in Stockholm

KVAERNER, the Norwegian engineering concern, has signed an agreement in principle to take over the turbine operations of Sweden's troubled Nordstjernan group.

The deal would make Kvaerner one of the world's leading manufacturers of hydro-powered turbines. The Nordstjernan turbine operations, part of the group's K&MWA subsidiary, has annual sales of around SKr 500m (\$64.8m) and a workforce of about 350.

In a joint statement the two groups said the deal would aid the restructuring of the turbine sector, which is suffering from over-capacity, and would give the Scandinavian industry a stronger competitive edge in foreign markets.

Nordstjernan, the industrial arm of the John Johnson Group which has run into deep problems in several of its traditional areas such as shipping, steel, engineering and construction, is undergoing a far-reaching restructuring process in which a large number of peripheral businesses are being sold off.

In recent months, apart from the turbines deal with Kvaerner, it has announced preliminary or final agreements to sell Sirius, its reinsurance company, Kramby, a mobile crane company, and Deltana, its computer services company as well as at least eight other smaller operations.

The deal with Kvaerner includes the sale of the K&MWA subsidiary, Boving-KMW Turbin (BKT) with its two British subsidiaries, Newton Chambers Engineering and Boving and Company, as well as the Australian subsidiary Boving and Company (ANZ) and the US subsidiary Asst Johnson Engineering Corporation.

20% gain for Montreal bank

By Robert Gibbons in Montreal

BANK OF MONTREAL, Canada's third-largest chartered bank, showed a gain of almost 20 per cent in earnings for the year in October 31, helped by the inclusion of Harris Bankcorp, the US bank acquired last year.

Fiscal 1985 net profit was C\$392.2m (US\$247m), or C\$3.75 a share, against C\$325.6m, or C\$3.37, a year earlier. Average shares outstanding were 75m against 68m.

Fourth-quarter net was C\$91.6m, or C\$1.01 a share, against C\$72.5m, or 83 cents, a year earlier.

Assets at October 31 were C\$82.4bn against C\$76.5bn a year earlier.

Metallgesellschaft expects to resume dividend payment

By Our Frankfurt Staff

METALLGESELLSCHAFT, the West German metals, chemicals and trading group, has strongly increased its earnings and intends to resume a dividend payment, marking its recovery from a setback in recent years.

Mr Dietrich Natus, chief executive, said exact group profits had not yet been finalised for the financial year ended on September 30, but they would "substantially exceed" those of the previous year.

The company would be able to build up its reserves and pay a dividend higher than the last of DM 4 a share on the 1980-81 results, he said.

Metallgesellschaft increased its worldwide sales revenue by 4.1 per cent to DM 14.5bn (\$5.7bn) in the financial year just ended, while the domestic group lifted sales revenue to about DM 11bn from DM 10.5bn in 1983-84.

Mr Natus said the company had dealt with its loss-making problem areas, including nickel processing and some mining projects. After consolidating its recovery process in 1984-85, it expected another good result in the present financial year.

Metallgesellschaft omitted a dividend for three years in succession and embarked on restructuring after a loss of DM 18m in 1981-82. It reported net profits of DM 25m in 1982-83 and again in 1983-84.

Mr Natus said trading, metal production, specialised chemicals and the Kolbenschmidt motor-components subsidiary all made substantial contributions to profits, but mining had produced a loss.

The Lurgi engineering and process-plant subsidiary had more than doubled its inflow of new orders. Metallgesellschaft no longer depended just on metal prices, as it had built up a wide range of activi-

ties over the years, he said. But if zinc prices remained low, the company could expect losses at its lead-zinc mine at Maggen in West Germany.

The company declined to disclose the scale of its financial risks as a result of the tin crisis, but said it had reduced its involvement in tin before the International Tin Council ran out of money. It had ample reserves to cover any risks.

Mr Natus said Kolbenschmidt was carrying out a big investment programme to modernise its production and was preparing to build up its foreign operations, especially in Brazil and the US.

Kolbenschmidt, which makes components for the motor-vehicle and engine-assembly industries, was given a separate stock-market listing last year, with Metallgesellschaft reducing its shareholding but retaining a majority stake.

US banks launch floaters

By Maggie Urry in London

FLOATERS were again to the fore in the Eurodollar market yesterday as Marine Midland Bank and J.P. Morgan both launched \$200m issues.

Marine Midland's issue was proving somewhat difficult, and some banks declined to co-manage the issue. By the close it was quoted at a level just outside the full 45 basis-point bid.

The coupon for the 15-year issue, which is non-callable for two years, will be set at 7 1/4 per cent above three-month London interbank offered rate (Libor). The first coupon will be at least 8 1/4 per cent. Lead manager is Credit Suisse First Boston.

J.P. Morgan's deal, led by Morgan Guaranty, was more popular. This has a 12-year life and is non-callable for three years. The coupon will be 5 basis points above three-month Libor and the issue price is 100.10. Fees total 20 basis points. The issue was trading around 100.05, inside the selling concession.

In the fixed-rate market Salomon Brothers launched a \$200m issue for Olympia and York-Malden Lane. Finance, a single-purpose company set up by the Toronto-based property developer. The issue is secured on an office block at 49 Malden Lane valued at \$300m. There is also a credit insurance policy.

The 10-year bonds pay a 10 1/2 per cent coupon, and issue price is 99 1/2. Taking in the fees of 2 per cent, the borrowing cost was 60 basis points above the Treasury yield curve at the launch. That looked attractive

BNF Bank bond average			
Nov 26	Nov 23	Nov 20	Nov 17
104.464	104.437	104.437	104.437
High	105.593	105.593	105.593
Low	105.593	105.593	105.593

to investors, and the issue was trading at around a 1 1/4 point discount to issue price.

Ajinomoto, the Japanese food company which makes monosodium glutamate, is making a two-part issue of bonds with equity warrants. The terms on the two portions are the same at a five-year life with a par issue price and indicated 5 1/4 per cent coupon. Nikko Securities Europe is lead managing the \$80m European targeted portion, and Daiwa Securities is running the \$20m Far Eastern portion. Fees total 2 1/4 per cent, and the bonds were trading at around 102 1/2.

The Eurodollar market was firm yesterday with prices gaining 1/4 to 1/2 point, but again retail interest was limited.

The D-Mark market saw its first bond issue with warrants to buy more bonds. The borrower and lead manager is BfF Bank, and the issue raises DM 100m. The host bonds have a five-year life, maturing in January 1991, and pay a 9 1/4 per cent coupon, with issue price par.

Each DM 1,000 bond gives the holder the right to buy a back-bond with the same maturity but a 6 1/4 per cent coupon. The warrants can be exercised until December 1988.

The package was trading around 99 1/2, well inside the 1 1/4 per cent selling concession.

In the secondary market prices fell slightly though there was demand for equity-linked issues.

The new Eurodollar market saw its third issue, a \$1.75bn five-year issue for General Motors Acceptance Corporation. Part of the proceeds will be swapped into floating-rate lire, with all being used in Italy. The coupon is 13 1/4 per cent and issue price par. Bank of America and Banca Nazionale del Lavoro are joint book-runners. The issue was meeting fair demand, and bonds were selling at around 98 1/2, inside the 1 1/4 per cent fees.

In the Swiss franc foreign-bond market Credit Suisse announced a SF7.70m private placement for Best Electric, with a five-year life and a 5 1/4 per cent coupon.

The secondary market was slightly weaker yesterday in average volume. Sukkoto Electric's new issue closed its first day's trading at 98 1/2 down from the par issue price. The SF7.70m 10-year deal pays a 5 1/4 per cent coupon.

Daiwa Securities is arranging a private placement in the domestic yen bond market for Belgium, to refinance old debts. The ¥10bn deal will have a 10-year life, a 7 1/2 per cent coupon and par issue price.

© Citicorp Bank (Switzerland) is offering 60,000 warrants to buy shares in Ricoh, the Japanese photocopier company. The warrants, priced at SF7.300, give the right to buy 100 shares at ¥855.

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

OCTOBER 1985



Industrial Bank of Finland Ltd

(Suomen Teollisuuspankki Oy)

(Incorporated with limited liability in Finland)

ECU 60,000,000

9 per cent. Bonds due 1995

KANSALLIS-OSAKE-PANKKI

BANQUE GENERALE DU LUXEMBOURG S.A.

BANQUE BRUXELLES LAMBERT S.A.

GENERALE BANK

BANQUE PARIBAS CAPITAL MARKETS

KREDIETBANK INTERNATIONAL GROUP

CREDIT SUISSE FIRST BOSTON LIMITED

SOCIETE GENERALE

UNION BANK OF FINLAND LTD

AMRO INTERNATIONAL LIMITED

BANK OF HELSINKI LTD.

BANK MEES & HOPE N.V.

BANQUE INTERNATIONALE A LUXEMBOURG S.A.

BANQUE NATIONALE DE PARIS

BERLINER HANDELS-UND FRANKFURTER BANK DEUTSCHE BANK CAPITAL MARKETS LIMITED

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MORGAN STANLEY INTERNATIONAL SWISS BANK CORPORATION INTERNATIONAL LIMITED

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MERRILL LYNCH CAPITAL MARKETS WESTDEUTSCHE LANDESBANK GIROZENTRALE

Al-Mai Group

Banca Manuelli & C.

Bank J. Vonnob & Co. AG

Banque Indosuez

Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft

Caisse Centrale des Banques Populaires

Commerzbank AG

Credit Commercial de Belgique S.A.

Credit Lyonnais

DG BANK Deutsche Genossenschaftsbank

First Chicago Limited

Genossenschaftliche Zentralbank AG Vienna

Handelsbank N.W. (Overseas) Ltd.

Instituto Bancario San Paolo di Torino

Manufacturers Hanover Limited

Nippon European Bank S.A.

Pierson, Harding & Pierson N.V.

Société Nationale de Crédit à l'Industrie S.A.

Verreins- und Westbank AG

Al Saudi Banque

Bank für Gemeinwirtschaft AG

Bank of Tokyo International Limited

Banque Indosuez

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Verreins- und Westbank AG

Banca Commerciale Italiana

Bank Ippa

Banque de Commerce S.A.

Berliner Bank Aktiengesellschaft

Caisse des Dépôts et Consignations

Credit Agricole

Credit Industriel d'Alsace et de Lorraine

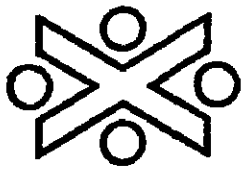
Daiwa Europe Limited

Euromobiliare S.p.A.

Gefina Int. Ltd.

Girozentrale und Bank der österreichischen Sparkassen AG

NEW ISSUE These Notes having been sold, this announcement appears as a matter of record only.



The Governor and Company of the BANK OF SCOTLAND

(Constituted by Act of the Scots Parliament in 1695)

U.S. \$250,000,000

Undated Floating Rate Primary Capital Notes

Merrill Lynch Capital Markets

BankAmerica Capital Markets Group
Banque Bruxelles Lambert S.A.
Baring Brothers & Co., Limited
Crédit Lyonnais
Daiwa Europe Limited
Goldman Sachs International Corp.
E F Hutton & Company (London) Ltd.
Kleinwort, Benson Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A.
Samuel Montagu & Co. Limited
Morgan Guaranty Ltd
Nippon Credit International (HK) Limited
Orion Royal Bank Limited
Saitama Bank (Europe) S.A.
Sumitomo Trust International Limited

Bankers Trust International Limited
Barclays Merchant Bank Limited
Citicorp Investment Bank Limited
Dai-ichi Kangyo International Limited
Dresdner Bank
Kiddier, Peabody International Limited
Lloyds Merchant Bank Limited
Mitsui Trust Bank (Europe) S.A.
Morgan Grenfell & Co. Limited
Morgan Stanley International
Nomura International Limited
PK Christiania Bank (UK) Limited
Société Générale
S.G. Warburg & Co. Ltd.

The British Linen Bank Limited

November, 1985



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Market welcomes gold mine merger

By Kenneth Marston,
Mining Editor

A FIRM London market in South African gold shares — helped by a rise in the gold price — gave a welcome this week to the Anglo American group's scheme to merge its four deep-level gold mines in the Orange Free State into the world's highest gold mining complex.

The necessarily complicated merger terms, involving Free State Geduld, President Brand, President Steyn, Welkom and Western Holdings, were presented on Friday in Johannesburg and this week in London.

The quoted companies, which will hold the presently separate assets, are Free State Consolidated Gold Mines ("Freegold"), Orange Free State Investments ("Ofsi") and Welkom Gold Holdings ("Welkom").

Shares of those companies are expected to be relatively highly priced, as are those of the existing separate companies.

Questioned about the desirability of a wider share ownership, Mr Peter Gush, chairman of the group's gold and uranium division, said consideration would be given to ways of reducing prices, such as share splits.

The proposed merger terms allow considerable scope for switching investments from one new company into another.

The Thomson group will maintain its 73 per cent interest in the company by subscribing fully to the issue, and will take up any shares not subscribed by public stockholders.

In the six months ended July 31, Hudson's Bay suffered an operating loss of C\$90.4m, against a loss of C\$105.9m a year earlier on revenues of C\$2.4bn against C\$2.1bn.

Merchandising losses were substantially reduced, and property profits stable, as were resource activities. However, interest expense was up at C\$127m against C\$90m.

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INTL. COMPANIES AND FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 28.

U.S. DOLLAR						OTHER CURRENCIES					
STRAIGHT	Issued	Old	Other	Change on	Yield	STRAIGHT	Issued	Old	Other	Change on	Yield
Amer 10% 82	100	100 1/2	101	+ 1/2	10.1	Brazil 10% 82	100	100 1/2	101	+ 1/2	10.1
Amer 10 1/2% 81	100	104 1/2	104 1/2	+ 1/2	10.2	Canada 10% 82	100	100 1/2	101	+ 1/2	10.1
Alcan 10 1/2% 81	250	97 1/2	97 1/2	+ 1/2	10.3	France 10% 82	100	100 1/2	101	+ 1/2	10.1
Australia 11% 80	100	108 1/2	108 1/2	+ 1/2	10.4	Germany 10% 82	100	100 1/2	101	+ 1/2	10.1
Australia 11 1/2% 80	200	105 1/2	105 1/2	+ 1/2	10.5	Italy 10% 82	100	100 1/2	101	+ 1/2	10.1
BP Capital 11% 82	150	105 1/2	105 1/2	+ 1/2	10.6	Japan 10% 82	100	100 1/2	101	+ 1/2	10.1
Canada 11% 80	100	103 1/2	103 1/2	+ 1/2	10.7	South Africa 10% 82	100	100 1/2	101	+ 1/2	10.1
Canada 11 1/2% 80	200	107 1/2	107 1/2	+ 1/2	10.8	Switzerland 10% 82	100	100 1/2	101	+ 1/2	10.1
Canada 12% 80	100	107 1/2	107 1/2	+ 1/2	10.9	UK 10% 82	100	100 1/2	101	+ 1/2	10.1
Canada 12 1/2% 80	100	107 1/2	107 1/2	+ 1/2	11.0	US Dollar 10% 82	100	100 1/2	101	+ 1/2	10.1
Canada 13% 80	100	107 1/2	107 1/2	+ 1/2	11.1						
Canada 13 1/2% 80	100	107 1/2	107 1/2	+ 1/2	11.2						
Canada 14% 80	100	107 1/2	107 1/2	+ 1/2	11.3						
Canada 14 1/2% 80	100	107 1/2	107 1/2	+ 1/2	11.4						
Canada 15% 80	100	107 1/2	107 1/2	+ 1/2	11.5						
Canada 15 1/2% 80	100	107 1/2	107 1/2	+ 1/2	11.6						
Canada 16% 80	100	107 1/2	107 1/2	+ 1/2	11.7						
Canada 16 1/2% 80	100	107 1/2	107 1/2	+ 1/2	11.8						
Canada 17% 80	100	107 1/2	107 1/2	+ 1/2	11.9						
Canada 17 1/2% 80	100	107 1/2	107 1/2	+ 1/2	12.0						
Canada 18% 80	100	107 1/2	107 1/2	+ 1/2	12.1						
Canada 18 1/2% 80	100	107 1/2	107 1/2	+ 1/2	12.2						
Canada 19% 80	100	107 1/2	107 1/2	+ 1/2	12.3						
Canada 19 1/2% 80	100	107 1/2	107 1/2	+ 1/2	12.4						
Canada 20% 80	100	107 1/2	107 1/2	+ 1/2	12.5						
Canada 20 1/2% 80	100	107 1/2	107 1/2	+ 1/2	12.6						
Canada 21% 80	100	107 1/2	107 1/2	+ 1/2	12.7						
Canada 21 1/2% 80	100	107 1/2	107 1/2	+ 1/2	12.8						
Canada 22% 80	100	107 1/2	107 1/2	+ 1/2	12.9						
Canada 22 1/2% 80	100	107 1/2	107 1/2	+ 1/2	13.0						
Canada 23% 80	100	107 1/2	107 1/2	+ 1/2	13.1						
Canada 23 1/2% 80	100	107 1/2	107 1/2	+ 1/2	13.2						
Canada 24% 80	100	107 1/2	107 1/2	+ 1/2	13.3						
Canada 24 1/2% 80	100	107 1/2	107 1/2	+ 1/2	13.4						
Canada 25% 80	100	107 1/2	107 1/2	+ 1/2	13.5						
Canada 25 1/2% 80	100	107 1/2	107 1/2	+ 1/2	13.6						
Canada 26% 80	100	107 1/2	107 1/2	+ 1/2	13.7						
Canada 26 1/2% 80	100	107 1/2	107 1/2	+ 1/2	13.8						
Canada 27% 80	100	107 1/2	107 1/2	+ 1/2	13.9						
Canada 27 1/2% 80	100	107 1/2	107 1/2	+ 1/2	14.0						
Canada 28% 80	100	107 1/2	107 1/2	+ 1/2	14.1						
Canada 28 1/2% 80	100	107 1/2	107 1/2	+ 1/2	14.2						
Canada 29% 80	100	107 1/2	107 1/2	+ 1/2	14.3						
Canada 29 1/2% 80	100	107 1/2	107 1/2	+ 1/2	14.4						
Canada 30% 80	100	107 1/2	107 1/2	+ 1/2	14.5						
Canada 30 1/2% 80	100	107 1/2	107 1/2	+ 1/2	14.6						
Canada 31% 80	100	107 1/2	107 1/2	+ 1/2	14.7						
Canada 31 1/2% 80	100	107 1/2	107 1/2	+ 1/2	14.8						
Canada 32% 80	100	107 1/2	107 1/2	+ 1/2	14.9						
Canada 32 1/2% 80	100	107 1/2	107 1/2	+ 1/2	15.0						
Canada 33% 80	100	107 1/2	107 1/2	+ 1/2	15.1						
Canada 33 1/2% 80	100	107 1/2	107 1/2	+ 1/2	15.2						
Canada 34% 80	100	107 1/2	107 1/2	+ 1/2	15.3						
Canada 34 1/2% 80	100	107 1/2	107 1/2	+ 1/2	15.4						
Canada 35% 80	100	107 1/2	107 1/2	+ 1/2	15.5						
Canada 35 1/2% 80	100	107 1/2	107 1/2	+ 1/2	15.6						
Canada 36% 80	100	107 1/2	107 1/2	+ 1/2	15.7						
Canada 36 1/2% 80	100	107 1/2	107 1/2	+ 1/2	15.8						
Canada 37% 80	100	107 1/2	107 1/2	+ 1/2	15.9						
Canada 37 1/2% 80	100	107 1/2	107 1/2	+ 1/2	16.0						
Canada 38% 80	100	107 1/2	107 1/2	+ 1/2	16.1						
Canada 38 1/2% 80	100	107 1/2	107 1/2	+ 1/2	16.2						
Canada 39% 80	100	107 1/2	107 1/2	+ 1/2	16.3						
Canada 39 1/2% 80	100	107 1/2	107 1/2	+ 1/2	16.4						
Canada 40% 80	100	107 1/2	107 1/2	+ 1/2	16.5						
Canada 40 1/2% 80	100	107 1/2	107 1/2	+ 1/2	16.6						
Canada 41% 80	100	107 1/2	107 1/2	+ 1/2	16.7						
Canada 41 1/2% 80	100	107 1/2	107 1/2	+ 1/2	16.8						
Canada 42% 80	100	107 1/2	107 1/2	+ 1/2	16.9						
Canada 42 1/2% 80	100	107 1/2	107 1/2	+ 1/2	17.0						
Canada 43% 80	100	107 1/2	107 1/2	+ 1/2	17.1						
Canada 43 1/2% 80	100	107 1/2	107 1/2	+ 1/2	17.2						
Canada 44% 80	100	107 1/2	107 1/2	+ 1/2	17.3						
Canada 44 1/2% 80	100	107 1/2	107 1/2	+ 1/2	17.4						
Canada 45% 80	100	107 1									

INTERNATIONAL COMPANIES and FINANCE

Record profits for Japan's trust banks

BY YOKO SHIBATA IN TOKYO

JAPAN'S SEVEN trust banks have reported record pre-tax profits and operating revenues for the half year to September.

Combined pre-tax profits jumped 63.2 per cent to ¥135.5bn (\$675m), in sharp contrast to the meagre 1.2 per cent gain reported by the country's 13 "city" or commercial banks. Along with an average 56 per cent earnings gain reported by the top four brokerage houses, the indication is that the securities marketplace is becoming a stronger focus of interest in Japan.

This in turn explains why so many foreign banks are eager to break into the trust banks' previous monopoly of Japan's private pension fund market. With a rapidly ageing Japanese population and management fees of 1 per cent of assets, these funds represent huge earnings areas.

During the half year, combined operating revenue aggregated to ¥1,826bn, up 14.8 per cent. Operating profits

(before securities gains) by the seven banks also reached a record high of ¥119.8bn, up 80.8 per cent from the previous year.

The improvement was attributed to expanding profit margins due to falling long-term lending rates, and declining dividend rates on loan trusts. Thanks to active management of loan portfolios in markets abroad, profits from international operations came to ¥64.1bn, up 68.1 per cent. Profits from securities investments soared by 281.1 per cent to ¥15.5bn.

Combined financial resources at the end of the first half totalled ¥73,726bn, up 6 per cent from the end of March. Reflecting a bullish bond market during the period, the outstanding balance of securities investments stood at ¥31.83bn, up 16.2 per cent.

For the current half-year to March 1986, the banks expect continued favourable effects from declining dividend rates on loan trusts.

JAPANESE TRUST BANKS

Parent company results, half-year to September 1985 (September 1984)

	Gross revenue (¥bn)	Pre-tax profits (¥bn)	Net profits (¥bn)	Dividend (¥)
Mitsubishi	423 (358)	34.74 (18.29)	12.31 (8.40)	3 (3)
Sankyo	293 (310)	24.33 (21.11)	12.40 (8.40)	2 (2)
Mizuho	244 (222)	22.63 (21.63)	10.35 (8.43)	2 (2)
Yamada	311 (286)	19.27 (12.50)	7.37 (4.76)	2 (2)
Teito	186 (170)	14.45 (10.90)	6.85 (4.27)	2 (2)
Chuo	122 (95)	5.16 (3.26)	1.92 (1.30)	2 (2)
Nippon	55 (48)	2.51 (1.27)	0.74 (0.69)	2 (2)

Foreign contenders search for a niche

BY CARLA RAPOPORT IN TOKYO

NINE FOREIGN banks were allowed to open trust banks in Japan this summer, but only a minority will be open for business by the year end. Nonetheless, no one in the business expects trust banking in Japan to be the same as in the US.

So far, only Morgan Guaranty, Bankers Trust and Chase Manhattan of the US have announced their plans, with Chase opening its doors this week. Three other American banks (Manufacturers Hanover, Chemical Bank and Citicorp) and two Swiss (Credit Suisse and Union Bank) and Barclays of the UK are expected to start business some time next year.

Japanese trust banks handle long-term investments, such as pension funds, and corporate investment portfolios. The Japanese pension fund business is expected to swell by around 15 to 20 per cent per year for the next 20 years, but the foreign banks are not optimistic about making major inroads into this market.

Instead, they are eyeing the corporate investment management business. With overseas investments by Japanese companies still on the rise, they reckon their chances are good for grabbing a good chunk of this business away from the eight domestic trust banks.

"Net capital outflows from Japan will continue for years," says Mr Robert Binney, Chase Manhattan country manager for Japan. "I want to get into that business. Mr Binney sees the techniques used to enhance returns on overseas business being applied in the domestic market as well.

"I can bring two things to the party. First, dollar fund management expertise and modern financial management techniques such as sophisticated computer simulations. Second, I can apply these same techniques to yen accounts. With them, I can easily outperform the Nikkei Stock Average," he says.

The new Chase bank, along

with most of the other foreign trust banks, will zero-in on niche markets such as property. "There is no way a Japanese trust bank can say they know the US real estate business better than us," Mr Binney says.

The Japanese pension business, however, will be tough to crack as it depends on long-term relationships between company and bank. The foreign trust banks, however, are hoping to begin with foreign subsidiaries' pension funds, in addition to their investment management and money trust businesses.

Despite the excitement surrounding the new trust banks, more than a few are sceptical about whether the newcomers can make a profit on their business in less than three to five years. And by that time, they warn, the trust banks may be facing competition from the Japanese commercial banks who are expected to move into trust banking as a result of further financial deregulation in Tokyo.

Indeed, the profit and loss accounts of the foreign banks have not made cheerful reading in recent years. Chase, for example, recorded a ¥1.5bn net loss last year. Among those keeping it company in the loss-maker category were Barclays and National Westminster.

Mr Binney reckons Chase's new bank will be in the black within two to three years. Mr Osamu Toba, senior vice-president of Morgan Guaranty Trust, said recently in Tokyo: "We will start small, as a portfolio manager, as a trustee in a pension fund. It will be difficult to get clients."

Morgan and Chase have decided against formal link-ups with Japanese trust banks to get going and instead have had informal, operational support in the early months. "After that, we will be on our own. A long-term link to a Japanese trust bank may be a liability. Short-term, the benefit is obvious: introductions," says Mr Toba.

Poor local interest in SIA flotation

BY CHRIS SHERWELL IN SINGAPORE

SIX SUCCESSIVE days of falling share prices, taking the local stock market to a 34-month low, have created an unexpectedly insipid setting for the much-vaunted public offer by Singapore International Airlines (SIA), the island State's national flag carrier.

The decline, attributed directly to the sudden financial crisis which surfaced at Pan-Electric Industries last week, dragged the Straits Times Index of 30 top industrial stocks down another 11.6 points yesterday to 717.6. This compares with 762.2 at the beginning of last week.

Pan-Electric shares were suspended on November 19, along with those of Growth Industrial

Holdings, which has a 31.6 per cent stake in the company, and Sigma International, which holds 22.6 per cent.

Pan-Electric had failed to make a \$57.5m (US\$39.6m) debt repayment the previous day, and has a total of \$440m in debts. Despite progress in formulating a rescue plan to stave off bankruptcy, the market fears trouble both for these and related companies, and for certain stock-broking firms.

Some banks last week decided immediately to cut all lines for financing SIA share purchases and as the market has continued to fall many bankers and brokers have reported that local interest is low and the pace of

share applications is going badly.

The deadline for subscriptions in Singapore is today, and the outcome is due to be announced tomorrow. A total of 50m shares is on offer at a price of \$55, but the so-called "grey market" price has fallen to \$55.20, too low for "stags" to finance their borrowing and make a profit.

As interest from abroad remains strong—some say it is now being deliberately encouraged—there is no question of the issue not being fully subscribed. But earlier forecasts of an oversubscription by eight times or more for the Singapore offer and private

placements abroad now look over-optimistic, especially as tens of millions of shares in the hands of SIA staff are "overhanging" the market.

Minor shareholders in Pan-Electric, Growth Industrial Holdings, and Sigma have meanwhile been given no official explanation for last week's trading suspension, and most stock market watchers remain in the dark.

A steering committee for Pan-Electric's 30 bank creditors went into a further day of meetings yesterday with no public statement on a proposed rescue plan. The outlook for the stock market as a whole is generally agreed to be gloomy.

Further losses at Federale Volksbeleggings

FEDERALE Volksbeleggings (FVB), the South African industrial holding group, continued to suffer losses in the half year to September, partly because of the higher cost of servicing debt and preferred shares, Jim Jones reports from Johannesburg.

The group is gradually selling loss-making divisions, but according to Mr Johan Moolman, the managing director,

asset sales will not be made at prices substantially below book values. Mr Moolman does not expect a profit to be generated in the second half.

First-half turnover increased to R1,04bn (\$391.3m) from R967m, but operating profits before interest, investment income and tax fell to R62.2m from R68.5m, and pre-tax profits were R26.7m against R34.1m. A higher tax rate and an in-

crease in minority holders' shares of subsidiary profits left an attributable loss of R7.4m compared with profits of R7m. Turnover was R1.94bn for the year to March 1985, operating profits were R119.7m, there was a pre-tax loss of R34.6m and an attributable loss of R44.8m.

The electronics, building materials, chemicals, and agricultural equipment divisions all made losses during

the half year. Capital expenditure was limited to the bare essentials but a shortage of cash led to the decision not to take up rights to the R40m share issue by Fedfood.

The first-half loss was 15.7 cents a share against profits of 14.8 cents and an interim dividend has not been declared. Last year's total loss was 137.4 cents a share and no dividends were declared.

Pioneer Electronic falls into the red

BY OUR TOKYO STAFF

PIONEER ELECTRONIC, Japan's leading maker of audio equipment, tumbled into a consolidated net loss of ¥2.45bn (\$12.2m) in the year to September.

The sharp downturn from the previous year's net profits of ¥8.07bn was blamed on a loss of some ¥7bn at a US sales subsidiary, combined with the parent company's steep fall in profits, and a special charge of ¥1bn accruing on disposals and write-offs on inventories of video disc players.

Group profits before tax were down 76.2 per cent to ¥4.64bn, on sale of ¥341.08bn, up 6.5 per cent from the previous year.

The performance reflected parent company pre-tax profits of ¥5.32bn, down 63.8 per cent, and net profits of ¥2.14bn, down 70.1 per cent, on sales of ¥260.27bn, up 5.2 per cent. The parent company—results of which were also reported yesterday—more than halved its annual dividend to ¥12 per share from ¥25.

During the year, Pioneer suffered a sharp fall in sales of

audio equipment in the domestic market. Slack sales of video disc players overseas were, however, more than offset by efforts to expand its share of the domestic market.

Sales at the video equipment division rose 31.8 per cent to account for 18.9 per cent of total turnover. Sales of car electronics, chiefly car stereo systems, advanced by 5 per cent to account for 36.4 per cent of the total.

On a consolidated basis, domestic sales rose 15.8 per cent. Overseas sales were ahead 1.3 per cent to account for 60.7 per cent of the total turnover, down from 63.8 per cent in 1983-84.

For the current year, Pioneer expects a favourable effect from a rationalisation programme including inventory cuts instituted in the previous year. Parent company pre-tax profits are projected at ¥3.5bn, up 3.4 per cent, with net profits of ¥2.5bn, up 17 per cent, on sales which at ¥270bn would be up 3.7 per cent from the previous year.

It hopes to return to the black on a consolidated basis.

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May, 1989/94

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 8 1/2 per cent per annum. The Coupon Amounts will be U.S.\$212.11 for the U.S.\$5,000 denomination and U.S.\$10,605.47 for the U.S.\$250,000 denomination and will be payable on 29th May, 1986 against surrender of Coupon No. 8.

Manufacturers Hanover Limited

Agent Bank

PIMA Savings and Loan Association

US\$100,000,000

Collateralised

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In accordance with the terms of the Indenture, notice is hereby given that the Rate of Interest for the period 26th November 1985 to 31st January 1986 has been fixed at 8 3/4 per cent per annum. The Interest Amount, as defined, of US\$15.70 per US\$1,000 Note will be payable on 2nd February 1986.

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November 27, 1985, London

By: Citibank, N.A. (CSE) Dept., Agent Bank

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October, 1985

INTL. COMPANIES & FINANCE

South Korea takes another step on the road to liberalisation

BY STEPHEN BUTLER IN SEOUL AND PETER MONTAGNON IN LONDON

RARELY do investors enjoy the chance of buying into a stock market where prices are clearly on the verge of an explosive rise. Such an opportunity is, however, now apparently looming as South Korea moves to open equity ownership to foreigners.

As the pace of liberalisation gathers force, extravagant and mouthwatering forecasts suddenly abound. "I believe that stock prices will rise to twice or three times their present level within two years after allowing securities investment by foreign investors in Korea," says Mr Jae Ryong Kim, managing director of Dongsuh Securities which this month opened an office in London.

Yet some observers are already sounding a note of caution.

Not least among the problems thrown up by the Korean approach is the difficult choice facing the authorities between gradualism and a sudden, total freedom in capital movements. While the latter could cause unbearable economic strain, the former carries the risk that share prices will become distorted in the run-up to liberalisation, making them less attractive to those foreign investors whose cash is supposed to benefit the country.

The background to Korea's decision earlier this month to allow 14 leading companies to issue convertible Eurobonds lies in a long-term policy of financial market liberalisation decided in 1981 when, says Mr Y. J. Kang, a senior Finance Ministry official, internationalisation was recognised to be "an essential policy measure in order to realise long-term economic development."

But the timing of Korea's moves also reflects the more urgent problems of an economy struggling to service \$45bn in foreign debt, much of which has been incurred by the private sector. Korean companies are now widely regarded as being heavily over-borrowed and badly in need of a fresh injection of equity; gearing ratios of 350 per cent are average.

Borrowing made sense for companies five years ago, when inflation ran ahead of bank interest rates. Yet when real rates began to rise, companies found Korea's own capital markets unable to respond. They were obliged to continue to pay high interest rates on the

funds they needed, to the delight of many Korean savers. Company dependence on bank borrowing and an accumulation of bad debt by the banks have severely hampered the development of an efficient banking system.

Regulations also hampered the free development of capital markets. Companies resisted public offerings because of rules that forced them to sell to the public at par value, regardless of how much the company had grown. Over-subscriptions of 20 to 40 times were treated publicly as a sign of successful flotation rather than a failure of pricing.

These regulations continue to plague the market. Only a few companies may issue shares

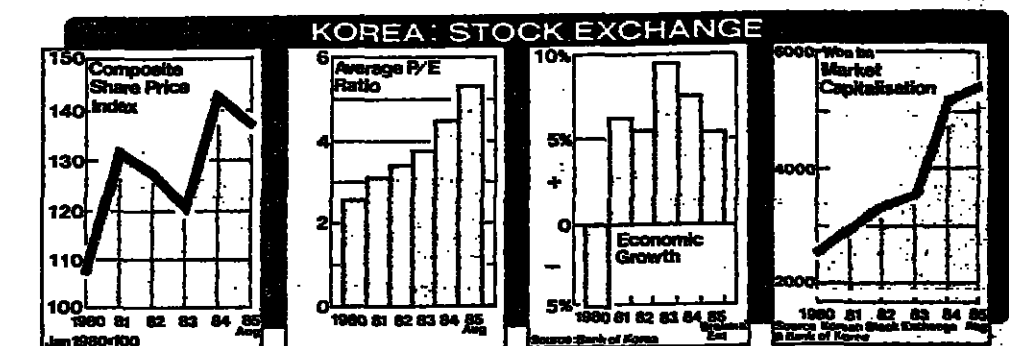
aging about 54 compared with more than 20 in Japan and about 11 in the US and Europe.

That, however, is where the common interest between Korea and potential foreign investors begins to break down. Already the first convertible Eurobond issue, a \$20m deal for Samsung Electronics, has turned out to be controversial.

The problem lies in setting the conversion premium for the shares in a rapidly rising market. Samsung shares rose dramatically as it became known that the bond issue was on its way. In the week the issue was announced they gained 22 per cent to 1,310 won compared with a low for the year of 750 won. By the time conversion becomes possible in 1987, they may have

makes it only about a quarter of the size of the entire market value of British Telecom. If that raises questions about the liquidity for foreign investors, then the weakness of the won and the uncertain outlook for Korea's economic and political development could also raise doubts about the actual trend in share prices.

Some bankers argue that the Korean authorities will in fact be fairly happy if liberalisation fails to produce a big surge in foreign capital inflows as a result of these problems. Not only would this mean that most profits from higher prices would accrue to local investors, it would also relieve worries that the ownership of companies is spreading too rapidly in a coun-



above par, at a formula-determined premium that can vary widely from the market price. Underwriters must guarantee share prices for 30 days, making subscription risk-free, and creating a strong incentive to under-price issues.

Although formal controls over dividends have been lifted, informal pressures from the banks discourage companies from declaring a dividend in excess of prevailing bank interest rates.

From the point of view of foreign investors seeking new outlets for their funds, Korean shares are, however, regarded as an exceptionally good buy. Prices have been held down by an oversupply of stock and lack of demand in the narrow domestic market, where 940 companies are now listed.

There is little institutional buying and only 720,000 individuals hold shares; most prefer to invest in property or high-yielding money market instruments. As a result, Korean companies trade on very low price/earnings multiples, aver-

aging a lot further, yet if the premium is set too high over current prices the issue could fail to attract investor demand.

Lead managers S. G. Warburg and Goldman Sachs have devised a complicated formula for getting round this, but is already points to one major difficulty for the emerging market. Since local investors will know in advance which companies will be able to sell their shares abroad, they may drive up the prices to a level which ceases to be attractive to foreign buyers.

In other words the bonanza may not turn out to be quite what some foreign investors now expect.

In theory, there are many reasons why the Korean stock market should have big growth potential. Korea's record is that of a dynamic, rapidly industrialising economy with total exports of \$30bn. Its stock market capitalisation at the end of the 1984 was only 1.9 per cent of gross national product.

But it is also a thin market whose capitalisation of \$6bn

try where business is traditionally in family hands.

Not all companies eligible to issue convertible bonds are jumping at the chance. Mr S. W. Lee, manager of finance at Kia Motors, says that while his company is attracted by the possibility of low interest financing, its management does not want to lose control of share-holders by expanding the pool of owners.

Despite this caution, however, there is no doubt that the first issues of convertible bonds mark a key step towards internationalising the Korean stock market. Pressures will continue building to remove restrictions on pricing issues and on dividends, and to raise disclosure standards for companies.

Put another way, some bankers regard Korea's stock market as being in a position similar to that of Japan's 30 years ago. Even today, Japanese stocks are not always easy for foreigners to trade. And that suggests that in practice the road to liberalisation in Korea will be long and hard.

This announcement appears as a matter of record only.



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UK COMPANY NEWS

Allied-Lyons surges 22% to £123m

BY CHARLES BATCHELOR

Allied-Lyons, the food and drinks group which is fighting off a record £1.5bn takeover bid from Elders IXL of Australia, yesterday announced a 21.6 per cent rise in pre-tax profits to £122.6m in the six months ended September 1985.

Sir Derrick Holden-Brown, Allied chairman, said: "With many of the positive factors in the first half continuing, I believe the outlook for the group for the second half of this year and beyond is excellent."

The improvement in Allied's performance prompted several stockbrokers to upgrade their forecasts for Allied's profits in the year ending March 1986 from between £260m and £265m from their previous levels of £245m to £255m. For the year ending March 1987 they raised their forecasts to £300m to £310m.

The immediate stock market

reaction, however, was to wipe 9p off the Allied share price, reducing it to 257p, still 32p above Elders' offer of 225p per share.

Allied appeared to have resisted the temptation to cram all the goods news into its half-year statement as a defence tactic, analysts said.

"They haven't come up with figures which look so good that you are tempted to look at them extra closely," said one. "It looks to be a genuinely good increase in profits."

Elders said the Allied results were "basically what we would have expected". Mr Andrew Cummins, director of strategy, said Allied appeared to be keeping something in reserve for its defence document which will be sent out shortly.

Pre-tax profits rose from last

year's £100.8m to £122.6m in the six months ended September 14.

A continuing reduction in the tax rate led to a 27.3 per cent improvement in earnings per share from 8.8p to 1.2p. The interim dividend is being lifted from 2.8p to 3.25p net per share.

The poor summer weather affected all three divisions—beer, wines, spirits and soft drinks and food—but group turnover still rose from £1.6bn to £1.7bn. Trading margins increased from 6.6 per cent to 7.2 per cent.

Pre-tax profits of the beer division rose 20 per cent, from £54.4m to £65.3m, following a reorganisation of the sector last December and with the benefit of a continuing improvement in productivity.

Pre-tax profits of wines, spirits

and soft drinks rose 17.3 per cent from £27.2m to £31.5m.

Light wines and British wines recorded considerable sales advances.

The food division increased profits by 16.7 per cent from £25.1m to £29.3m. Substantially lower profits from the UK ice-cream business partially offset a good performance by UK and overseas food companies and in hotels and catering.

Central finance charges less investment income took £3.9m, compared with £1.8m previously. Allied included its share of profit from its 24.9 per cent holding in Castlemeane Tooneys, the Australian brewer, up to the date of disposal of the stake on August 22. In the second half there will be reductions in interest charges and in preference share dividends paid to minorities following this disposal.

See Lex

Rothmans' profit fall worse than feared

Rothmans' International's shares yesterday fell to within 5p of this year's low immediately after the announcement of sharply lower interim profits which failed to match the bottom end of a fairly wide and already downgraded range of City estimates.

At £58.8m pre-tax, the result compared with the corresponding period's £84.4m and estimates of between £60m to £70m. The shares, which have had a high of 200p and a low of 112p, closed at 121p, down 5p on the day.

Rothmans was again hit by problems at Carling O'Keefe, the Canadian brewing company, and in the West German tobacco market.

Carling, which suffered a £17m fall in profits, had to shoulder costs from introducing new packaging and from labour disputes in addition to a further decline in volumes.

Tobacco, Rothmans' core business, returned lower profits of £73.4m, against £85.5m, after rationalisation costs of £7m. Demand in Europe remained depressed and there were problems in the Middle East.

In addition, the group's results were depressed by net interest charges more than double from £3.9m to £8.6m.

Problems at Carling became evident in the middle of last year and Rothmans, chaired by Sir Robert Crichton-Brown, who had forecast a difficult year, says things do not look any more settled and it will be some way in 1986 before a better performance can be expected.

Action has been taken in tobacco operations which includes a new product launch in Canada to strengthen market share and the forging of a partnership with local trading interests in Japan to give a firmer base for market penetration.

Other operations, encompassing luxury consumer products, continued to improve performance with Dunhill and Cartier both increasing operating profits.

Group turnover for the six months to end September 1985, was lower at £744.3m against £779.7m. Earnings per share fell from 14.7p to 8.2p and the interim dividend was unchanged at 2.2p.

See Lex

BPB Industries rises 14% to beat forecasts

IMPROVED RESULTS from its building materials companies in the UK, France and Canada and lower interest charges helped BPB Industries' taxable earnings improve by 14 per cent in the six months to the end of September 1985.

On turnover up by £15.6m to £299.4m the pre-tax profit came out at £46m, against £40.4m last time, £3m above last year's £43.4m. From earnings per 50p share of 14.9p (12.9p), an interim dividend of 3.5p is being paid, compared with last year's 3.1p.

Sales volume for gypsum-based products in the UK was similar to last year, but the benefits from the new plaster and board lines at the East Leake factory were reflected in better margins for British Gypsum.

Operating profits for the UK and other major overseas activities improved from £23m to £25.1m. In Canada, where operating profit rose to £5.5m (£5.1m), sales volume increased, helped by continued exports to the US.

During the period the Westcoast Gypsum plant in Vancouver where it had closed a smaller plant earlier.

Margins in the UK paper and

packaging division were reduced mainly by higher raw material costs and operating profits fell from £3.7m to £3.5m. However, Mr A. G. Turner, chairman and chief executive, says that waste paper costs have fallen and improved results are expected in the second half.

Operating profits in the other divisions were building materials: France and Italy £4m (£2.5m); Ireland £1m (£1.2m); overseas paper and packaging £400,000 (£100,000). Total operating profits came out at £42.4m (£37.6m).

The share of profit from associates fell from £4.6m to £3.9m. Mr Turner says they were hit by the severe winter in Europe and adverse currency movements.

Interest payable fell from £1.8m to £300,000. The tax charge was £29.5m (£24.5m) taking £100,000 (£200,000) and dividends absorbing £8.7m (£9.5m) the retained profit came out at £21.7m, against £18.7m last time.

comment

The market appears to have changed its mind about BPB. This summer the City took

exception to a small decline in profits and toned down its earlier enthusiasm over the prospects of the wireline logging system developed by BPB Instruments.

The shares, which then fell to 205p, are now at 389p, a rise quite out of proportion with a mere 13 per cent increase in pre-tax profits at the interim stage.

However, better profits have been achieved despite flat demand for plasterboard, as the sweeping economies at the East Leake plant have started to show.

Not only are there further efficiencies to be squeezed from that plant, costs in the industry are improving and should look sparkling against the grim winter of last year, while lower oil and waste paper prices should also reduce costs.

Abroad things look better too: in Canada, capacity has been cut, and price controls have been relaxed in France. Meanwhile, BPB is generating cash with awesome ease, and is already back to a position of full borrowing facilities for the past three years. Profits of £22m this year would put the shares on an undemanding prospective p/e of 12.

Crown House seeks £5.6m for expansion

TO ASSIST its principal objective of raising profitability by the expansion of its two separate and distinct activities, the Crown House group is asking shareholders for nearly £5.6m net by way of an underwritten rights issue.

Proceeds will refinance the investment in George Butler Silversmiths, which cost £300,000 to purchase in June and has required some £4.3m working capital, reduce borrowings and provide for expansion. The group is also pulling out of overseas contracting, thereby removing its major risk area.

The rights issue accompanied the statement for the half year ending September 30 1985, which shows an 11 per cent improvement to £1.63m in pre-tax profit.

The rights will involve the issue of 4.5m shares, at 130p

each on the basis of one-for-five for holders registered November 18, against 2.75p last time. The directors intend to recommend a lift in the final from 4.25p to 4.75p on the larger capital.

Crown House supplies engineering services and products to industry, and tableware products to the consumer. It plans to expand the engineering contracting facility but this will be confined to the UK. The range in the tableware division (which includes Denby) will be increased and the operations expanded into other tableware and giftware items.

Turnover in the half year rose

from £84m to £93.6m. A split of pre-tax profit shows engineering contributed £780,000 (£774,000), tableware £208,000 (£201,000) and finance and property £35,000 (£18,000).

Earnings are shown at 7.1p (3.8p) per share.

comment

Despite its steep decline in sales, Crown House has no head for heights when it comes to gearing. So it has decided to make a modest call on the market in order to eliminate most of the borrowings incurred as a result of the George Butler acquisition.

Net debt of around £7.5m will be reduced to less than 10 per cent of shareholders funds by the rights. Also, by March almost all the group's Gulf and South African connections should be

severed at the cost of the £1.2m provided for in these figures. The tableware half of the company is predominantly a marketing organisation rather than a manufacturing one—and this a balance that will need to be kept in mind specifically as far as the Butler factories are concerned.

The other half of Crown UK mechanical and electrical contracting, could do with some bigger contracts (with more cash up front) but is benefiting from a lot of smaller quick turnaround jobs. The shares were unchanged at 152p against the offer price of 130p, an indication that the market does not fear dilution in this case. On a forecast of 77m for the year and with a 45 per cent tax rate the shares are trading on a prospective multiple of 9.5—but surely not for long.

Apricot Computers suffers £4.6m loss

Apricot Computers' 12-year run of profits growth has been abruptly halted with the group suffering a £4.6m turnaround to losses of £4.6m in the six months to end-September 1985.

The company, chaired by Mr L. C. Bury and formerly known as Applied Computer Techniques, blames the downturn on substantial losses by French and German subsidiaries and associates, and lower than budgeted sales because of slower growth in the personal computer market.

Group turnover rose from £38.73m to £48.13m but trading profits declined by nearly 67 per cent from £3.81m to £1.27m and were further depressed by

£5.98m of exceptional stock provision. Net losses, after a £1.17m tax credit, were £3.43m against profits of £2.1m. Closure of Apricot Computer GmbH cost £1m leaving the attributable loss at £4.43m (profit £2.1m).

Despite this, and with a 6.6p loss per share, the interim dividend is unchanged at 0.35p.

Regarding prospects, the chairman says that Apricot is "well placed to be as profitable in the future as it has been in the past." Taxable profits in 1984-85 rose to £10.65m on turnover of just over £22m.

comment

It was not entirely perverse of

the market to add 5p to the Apricot share price on receipt of yesterday's interim figures. Though losses were bad, indeed somewhat worse than expected, combination of stock provisions, closure costs and staff reductions at least promises a return to profits next year. Twenty per cent off overheads should be worth around £7m to operating profits; improving results in the joint retailing venture and the elimination of losses from the German sales company should help pre-tax profits towards £15m. Though about £2m of cash seems to have run out of Apricot this year so far, the balance

sheet still seems strong enough for next year's p & l not to be spoiled by a significant interest charge. However, pruning of costs and of the lower reaches of the product range—the U-series is to join Apricot's U-rated portable on the discard list—do not guarantee a return to long term growth. Apricot's problems, erosion of its basic market from below by Amstrad and a squeeze from plans to have more sophisticated business products by IBM and many IBM clones, make future profits hard to value at a high multiple. At 65p, asset-backing of about 62p per share may be a more relevant consideration.

comment

comment

comment

W. H. Smith buys music shop chain for £5.5m

W. H. Smith, the bookseller and newsagent group, is paying up to £5.5m cash for Music Market, which operates a chain of 20 music shops.

Smith recently started its own recorded music chain known as Sound FX. Music Market have 10 stores open by Christmas. Music Market made a pre-tax profit of £170,000 on turnover of £4.0m in the year ended September 1985. Net tangible assets at the year end were £899,971.

Smith will pay £2.5m on completion with a further £3m dependent on profit growth at

Music Market in the year ending September 1986.

The chairman and controlling shareholder of Music Market is Mr Ian Howard, aged 35. Alan Patricot Associates is a substantial minority shareholder.

Mr Malcolm Field, Smith's managing director, said the purchase of Music Market would allow Smith to accelerate the growth of its recorded music business. The two chains would form a base for a national network of music shops.

Beazer spells out offer

C. H. BEAZER'S £117.8m offer for French Kier, construction and property group, values it at 53.3 per cent more than its net asset value, according to Beazer's official offer document.

The offer, which values each French Kier share at 237p with a cash alternative of 225p, provides an increase in capital value of 76.8 per cent (66.7 per cent for the cash) and an increase in income of 44 per cent (127.3 per cent for cash).

The document says the merger

would represent a big strategic step for Beazer and would create a broadly based international construction and property group.

It will note that your directors, in rejecting the offer, have not disputed the logic of creating a business with large contracting and housebuilding activities, as we are proposing to do. Indeed they are moving in that direction in their offer for Abbey.

Handful accept Guinness Peat bid

Guinness Peat, the financial services group, yesterday revealed that it had gained only 222m bid for Britannia Arrow, the banking and investment group.

Guinness, advised by Morgan Grenfell, said that by last Monday, the first closing date of the offer, it had received acceptance in respect of 486,641 ordinary shares (0.29 per cent) and 28,950 nominal of Britannia's 9 per cent convertible unsecured loan stock 1985-2000 (0.02 per cent of the issued convertible stock).

Together with stock purchases

made before the bid last month, Guinness now owns 28.4 per cent of the ordinary shares and 33.35 per cent of the convertible. The offer has been extended to December 17.

F. AND W. MACLELLAN has entered into an agreement to acquire a heritable property at Great Western Road, Glasgow, for a consideration of £200,000 cash. The contract is conditional on Maclellan's shareholders' approval. The property comprises 18 maisonettes and five shops with an annual rental income of £73,000.

DIVIDENDS ANNOUNCED

	Current payment	Date	Corr. payment	Total of year	Total last year
Allied-Lyons	3.25p	Feb 28	2.6	—	7.5
Alphacore	0.85p	Mar 14	Nil	—	0.7
Apricot Computers	0.35p	Dec 17	0.35	—	1.5
Bassett Foods	1.75p	Feb 3	1.68	—	6.72
BPB Industries	3.5p	Jan 24	3.1	—	7.7
British Empire Sess	0.5p	Jan 24	0.7	0.5	0.9
Carless Capel	—	Jan 30	2.75	—	2.75
Crown House	3p	Feb 14	2.75	—	6
David Dixon	3p	Feb 1	3.5	—	15.8
Fashion & Gen	10p	Jan 2	8	5	15.8
J. R. Fether	—	—	—	—	—
Hambros	22p	—	20	—	42
Hambros*	2.2	—	2	—	6.5
Rbt. Kitchen Taylor	3p	Jan 27	3	—	16.5p
F. H. Lloyd	1p	Jan 6	Nil	—	2.5
Monks Inv Trd	1.1	Jan 31	1.1	—	2.4
Parkland Textile	1.6	—	1.6	—	4.6
Rothmans	2.2	Jan 27	2.2	—	6.4
Thomas Warrington	Nil	—	1.75	—	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On cash increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶For 18 months. ‡22 shares (50p paid). **5p limited voting shares.

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- Profit up 32%
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- Dividend up 29%
- Further significant progress expected in 1986

	1985	1984
Turnover	£383.0m	£388.7m
*Turnover: continuing businesses	£371.4m	£316.0m
Profit before Tax	£47.6m	£36.2m
Earnings per Share	12.9p	10.2p
Dividend per Share	4.5p	3.5p

Principal Activities

AEROSPACE & DEFENCE: electronic displays; flight, engine and ignition systems; marine radar and instrumentation.
MEDICAL: single use products, surgical instruments and equipment.
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In accordance with the requirements of the Council of The Stock Exchange £40,000,000 nominal of the Stock is available in the market during market hours today and until noon tomorrow.

Preliminary Extel Cards are available and Listing Particulars will be available in the Extel Statistical Services and copies may now be obtained during normal business hours on any weekday (excluding Saturdays) up to and including 10th December, 1985, from:

S. G. Warburg & Co. Ltd.,
33 King William Street,
London EC4R 9AS

Rosehaugh Greycoat Estates PLC,
53-55 Queen Anne Street,
London W1M 0LJ

Rowe & Pitman,
1 Finsbury Avenue,
London EC2M 2PA

until 29th November, 1985 only, from
The Company Announcements Office,
The Stock Exchange,
Throgmorton Street, London EC2

27th November, 1985

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

Application has been made to the Council of The Stock Exchange for the grant of permission for the whole of the issued share capital of JS Pathology plc to be dealt in on the Unlisted Securities Market. A proportion of the shares being placed may be available to the public through the market during market hours today. It is emphasised that no application has been made for these securities to be admitted to listing.

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of
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Particulars concerning the Company are available in the Extel Unlisted Securities Market Service and copies of the Prospectus may be obtained during normal business hours on any weekday (Saturdays excepted) until 11th December, 1985 from:

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Cardhu malt whisky is now firmly established, with sales growing year on year by over 40%. Slater & Scott, our new entrant in the fiercely competitive French market, is enjoying a warm reception.

Our white spirits are leaders, too. Gordon's is the world's leading quality gin, and Tanqueray the best-selling imported gin in America.

All in all, our broad range of brands earned us £473m in exports last year, much of this directly benefiting Scotland in the process.

The world market is a tough place where flair, innovation and tenacity are prime requirements and where the quality of our people counts for everything.

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Interim figures (unaudited) for Norton Opax plc for the six months ended 30th September 1985

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★ Trading profit £3.27m Up 154%
★ Profits before tax £2.13m Up 112%

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The company is grouped into four areas of specialisation within printing and publishing, all with organic growth that successfully contributes to a balanced business.

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UK COMPANY NEWS

James Neill makes final £14.7m offer for Spear

By CHARLES SATCHLOR

James Neill Holdings, the hand tool manufacturer, yesterday put in an increased and final offer for Spear & Jackson, adding £1.2m to its original bid to take it to £14.7m.

Neill also succeeded in forcing Spear to send a letter to shareholders to admit that some of the claims made in its defence campaign had not been backed up by sufficient evidence.

Spear, best known for its garden tools, wrote to its shareholders at the request of the Takeover Panel conceding it could not satisfactorily corroborate three claims made in its letter of November 15 and admitting they should not have been made.

Spear withdrew its charges that Neill had £13m of its assets tied up in declining businesses; that Neill faced problems which threatened its very existence;

and that its Britool operation was at risk.

Neill has increased its offer to five of its own shares for every three ordinary shares of Spear with a cash alternative of 250p per share. It originally offered a three-for-two share swap with a cash alternative worth 180p per share.

Neill's shares slipped 4p yesterday to 157p to value its offer at 261.7p per Spear share. Spear's shares fell 2p to 256p—5.7p below the level of the offer.

Neill is also offering three of its own shares for every two of Spear's 3.5 per cent £1 cumulative preference shares with a cash alternative of 225p for every one preference share. It originally offered one share for each preference share with a cash alternative of 130p.

Spear's ordinary shareholders would be entitled to retain Spear's interim dividend of 2.5p per share, Neill said.

Neill said it planned to recommend total dividends of 7p for the year ending December 1985, a 47 per cent increase on 1984.

Mr Hugh Neill, the Neill chairman, said: "The case we have made for the merger of the two companies is a very compelling one. Together they will form a powerful British hand-tool group, capable of tackling the competition worldwide."

Mr Leonard Grobner, managing director of Spear, said Neill's claim that its offer represented a 62 per cent rise in income over the annualised rate of Spear's forecast dividend ignored the fact that the 5p to be paid over the current 15-month period ending March 1986 would form the basis for future 12-month dividends.

Chemring expanding decoy side for £14m

By Lionel Barber

Chemring, which specialises in protective clothing and radar reflective products, is to buy Pains-Wesssex, a subsidiary of the US packaged products group Allegheny International, in a deal worth £14m cash.

The deal will strengthen Chemring's missile decoy business which has so far relied mainly on radar chaff. Pains-Wesssex, once best known for its domestic fireworks, now specialises in more advanced pyrotechnics — infra-red flares used to "confuse" heat-seeking missiles.

Mr Ian Fairfield, Chemring's chairman, said: "The deal is a natural extension of our main business and the two companies have worked closely together in the past."

In the year to September 1984, Chemring made pre-tax profits of £1.5m on sales of £7.6m. Pains-Wesssex, which has distributor and agency networks in 50 countries and exports 60 per cent of sales, made £1.8m on £18.7m sales in the year ended November 1984.

Because of the size of the acquisition, Chemring shares were suspended at 570p yesterday. The board said it proposed to pay for the deal through a rights issue of convertible preference shares and a vendor placing to raise a total of £13m.

Further details on the terms of the rights issue are expected when the purchase agreement is signed later next month.

Allegheny, whose branded products include Rowenta domestic appliances and Wilkinson Sword, swung sharply into loss in the third quarter. Mr Christopher Saunders, director of Allegheny International Group in London, said the company was now concentrating on its core businesses.

Drayton Prem wooed by note alternative

Shareholders in Drayton Premier Investments Trust who accept the National Coal Board Pension Fund offer of 500p per share will be able to receive their consideration in loan notes.

Mr David Prosser, managing director of the NCB Pension Fund's investment department, has written to Drayton holders urging them to accept the bid and pointing out that the loan notes will help to postpone liability to tax on capital gains.

The absence of a loan note alternative was a major criticism of another recent pension fund take-over bid for an investment trust, launched by the Merchant Navy Officers Pension Fund.

Mr Prosser also stressed that the firm 500p offer — valuing Drayton at £158m — differs from many offers for investment trusts which are made on the basis of a formula which fluctuates according to changes in market levels and exchange rates.

Drayton responded by saying that on November 5 the net asset value per ordinary share was 598.5p. That makes the 500p offer equivalent to only 87.3 per cent of net asset value — emphasising the inadequacy of the offer.

Godwin Warren withdraws from Sunleigh takeover

THE USM quoted Godwin Warren Control Systems, manufacturer of car park barriers, yesterday abruptly called off an agreed £1.7m bid for Sunleigh Electronics, maker and distributor of electronic and scientific optical equipment.

The unusual step, which required the approval of the Takeover Panel, came after a detailed review carried out by both companies of their future trading prospects. In a statement, Sunleigh and Godwin said the combined group's trading position would "differ significantly" from what was originally envisaged for 1985 and 1986.

Two sources involved with the deal said the trading problem centred on a significant loss of business at one of USM-quoted Sunleigh's subsidiaries, which they declined to name.

According to the terms of the bid, Godwin Warren intended to offer one ordinary share for every 28 Sunleigh shares, or a cash alternative of 185p per Sunleigh share. Directors and certain shareholders in Sunleigh are now released from irrevocable undertakings pledging 58.8 per cent of the equity.

Shares in Godwin closed at 167p, down 8p on the day, while Sunleigh, dipping 2p, closed unchanged at 7p.

Mount Charlotte purchase

By DAVID GOODHART

Mount Charlotte Investments yesterday revealed a complex agreement with the trustees of the Portman Family Estates to acquire a 125-year lease on the Mount Royal Hotel in Oxford Street and the shops below it.

Mount Charlotte, which already runs the Mount Royal, is paying £5m financed by vendor placing of 9.6m shares which has increased its share capital by 4.5 per cent.

It previously bought the Kennedy and Mount Royal hotels from Grand Metropolitan two

and a half years ago for about £23m but it acquired the freehold of only the Kennedy. Before the present deal was concluded the company had a 27 year lease on the Mount Royal site excluding the shops.

Mr Robert Peel, managing director of Mount Charlotte, said: "This is a long term asset deal which would have been crazy not to take advantage of."

He added that the Mount Royal is likely to be upgraded from a three to a four star hotel at the end of next year.

British Aerospace

British Aerospace announced yesterday that the foreign ownership of its shares has fallen from 14 per cent to 12 per cent since it announced in October that foreign holders had come within 1 per cent of the 15 per cent limit permitted under the company's articles of association.

Mr Don McClen of British Aerospace said: "That first announcement shook a few people out as it was intended to, and we have now announced the drop so people can rest assured that we are further away." If foreign buyers break the 15 per cent ceiling the purchasers of the excess shares will have to sell them within a reasonable period — usually taken to mean 21 days.

Note for your diary

FINANCIAL TIMES CONFERENCES

FT

World Telecommunications

A date for your diary — the Financial Times 1985 World Telecommunications conference to be held in London at the Hotel Inter-Continental on 4 & 5 December. This is the sixth event in a series which provides an annual up-date and insight into the complex developments in telecommunications.

This year's conference will bring together an international panel of distinguished speakers representing a wide range of influential industry interests. The inter-relationship between business and telecommunications, how telecommunications as a growth industry is affected by policy framework and its role as a driving force in international competitiveness, will be among the key issues to be debated.

Speakers taking part include:

Mr Randall L Tobias
AT&T Communications

M. Jacques Dondoux
Ministère des PTT

Dipl. Ing Helmut Schön
Federal Ministry of Posts and Telecommunications

Mr Paul H Henson
United Telecommunications Inc

Mr Kalmann Schaefer
K Schaefer & Associates

Mr Geza Feketeaky
Office of the United States Trade Representative

Dr Hisashi Shinto
Nippon Telegraph & Telephone Corporation

Mr Iain Vallance
British Telecommunications plc

Dr Henry Ergas
Organisation for Economic Co-operation and Development (OECD)

Mrs Marisa Bellisario
Italtel

Mr B A Pemberton
Cable and Wireless plc

The Rt Hon Lord Cockfield
Commission of the European Communities

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World Telecommunications

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Our best ever first half.

The excellent results achieved in the 28 weeks to 14th September, 1985 demonstrate that Allied-Lyons has the right strategy, the right structure and the right strengths to achieve continuing growth in profits and an increasing return for shareholders.

Excerpts from the interim statement announced yesterday.

RESULTS

Profit before tax for the 28 weeks ending 14th September, 1985 rose to a record £122.6 million compared with £100.8 million in the comparable period last year, an increase of 21.6 per cent. With the benefit of the continuing reduction in the tax rate, earnings improved by 27.3 per cent from 8.8 pence per share to 11.2 pence per share.

Despite poor weather throughout the summer, which

affected all three divisions, group turnover increased by 7.1 per cent. With continuing improvement in productivity and efficiency, trading margins increased from 6.6 per cent to 7.2 per cent.

INTERIM RESULTS (28 weeks to 14th September 1985)	
*Profit before tax	£122.6m, up 21.6%
*Earnings per share	11.2p, up 27.3%
*Dividend per share	3.25p, up 25.0%

BEER

The great success of Castlemaine XXXX in the areas so far covered has contributed to growth of Allied Breweries' share of the total lager market. This, with the growing benefit from the division's re-organisation last

December and the continuing programme of productivity improvement, has lifted profits by 20.0 per cent.

WINES, SPIRITS AND SOFT DRINKS

This division achieved an overall profit increase of 17.3 per cent, with significant sales advances recorded for light wines and British wines. There was some lack of volume with the more weather-sensitive products but otherwise performance was up to expectation.

FOOD

A good performance overall by the food companies both at home and abroad and in hotels and catering was partially offset by substantially lower profits from the U.K. ice cream business, leaving the profit increase for the division as a whole at 16.7 per cent.

Commenting on the results the Chairman, Sir Derrick Holden-Brown, said "We are pleased with the results achieved in not the easiest of trading periods. Perhaps overall the most encouraging aspect has been the performance of the beer division, which has moved into a higher gear following the management changes at the end of last year. With many of the positive factors in the first half continuing, I believe the outlook for the group for the second half of this year and beyond is excellent".

Allied-Lyons
In the five years up to February 1985, our pre-tax profit rose from £112m to £219m.

*Based on the results for the year to August 1985 compared with the year to August 1984. Lager Market Survey data.

This advertisement is published by Allied-Lyons PLC whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.

IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

In re
CONTINENTAL AIRLINES CORPORATION,
CONTINENTAL AIR LINES, INC.,
TEXAS INTERNATIONAL AIRLINES, INC.,
TXIA HOLDINGS CORPORATION,
TEXAS INTERNATIONAL AIRLINES FINANCE N.V.,
TEXAS INTERNATIONAL AIRLINES CAPITAL N.V., and
TXIA FINANCE (EUROPE) B.V.,
Debtors.

NOTICE TO CREDITORS AND EQUITY SECURITY HOLDERS OF (A) HEARING ON APPROVAL OF DISCLOSURE STATEMENT, (B) HEARING ON CONFIRMATION OF JOINT PLAN OF REORGANIZATION AND (C) TIME WITHIN WHICH CREDITORS AND EQUITY SECURITY HOLDERS MAY VOTE FOR ACCEPTANCE OR REJECTION OF JOINT PLAN OF REORGANIZATION

NOTICE IS HEREBY GIVEN THAT:

1. On September 5, 1985, Continental Airlines Corporation, Continental Air Lines, Inc., Texas International Airlines, Inc. ("TXI"), TXIA Holdings Corporation, TXIA Finance (Europe) B.V., Texas International Airlines Capital N.V. and Texas International Airlines Finance N.V. (collectively, the "Debtors"), filed with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") the Debtors' Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code (the "Plan") and a proposed disclosure statement pursuant to section 1123 of the Bankruptcy Code in connection with the Plan (the "Disclosure Statement"). Copies of the Plan and the Disclosure Statement are on file with the Clerk of the Bankruptcy Court, United States Courthouse, 515 Rusk Street, Houston, Texas 77002 and may be reviewed during regular business hours.

Hearing on Approval of the Disclosure Statement

2. A hearing will be held on December 18, 1985 at 9:00 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider the Disclosure Statement and any objections or modifications thereto, and to consider any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

3. Objections or proposed modifications to the Disclosure Statement, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the following on or before December 6, 1985:

- | | |
|--|---|
| (i) Continental Airlines Corporation
2929 Allen Parkway
Houston, Texas 77019
Attention: Barry P. Simon, Esq. | (v) Booth, Marcus & Pierce
Attorneys for the Union
Labor and Pension
Creditors' Committee
79 Fifth Avenue
New York, New York 10003 |
| (ii) Well, Gotshal & Manges
Attorneys for the TXI
767 Fifth Avenue
New York, New York 10153
Attention: Bruce R. Zelnick, Esq. | (vi) Ervin, Cohen & Jessup
Attorneys for the Non-Union
Employees Creditors' Committee
9401 Wilshire Blvd.
Beverly Hills, California 90212
Attention: Clifford Brown, Esq. |
| (iii) Dotson, Babcock & Seaford
Attorneys for the Unsecured Creditors'
Committee
4200 Interliff Plaza
Houston, Texas 77002
Attention: William M. Schultz, Esq. | (vii) Andretti & Karth
Attorneys for the
Institutional Creditors of
Continental Air Lines, Inc.
4200 Texas Commerce Tower
Houston, Texas 77002
Attention: Hugh M. Ray, Esq. |
| (iv) Bishop, Liberman & Cook
Attorneys for the TXI
Public Debt Holders' Committee
1155 Avenue of the Americas
New York, New York 10036
Attention: Robert Miller, Esq. | |

Time for Acceptance or Rejection of the Plan and Hearing on Confirmation of the Plan

4. Creditors and the equity security holders of the Debtors who are entitled to vote to accept or reject the Plan must do so on or before February 20, 1986. Information regarding the Plan and instructions for voting on the Plan will be mailed to all known creditors and the equity security holders of the Debtors in advance of the expiration of the time for voting.

5. A hearing will be held on March 20, 1986 at 9:30 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider confirmation of the Plan and any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

6. Objections to confirmation of the Plan, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the persons set forth in paragraph 3 above on or before February 25, 1986.

7. The times fixed for voting to accept or reject the Plan, the hearing on confirmation of the Plan and objections to confirmation of the Plan may be rescheduled by the Bankruptcy Court in any and all circumstances if the rescheduled date or dates will be provided by an announcement at the hearing on the Disclosure Statement (or an adjourned hearing on the Disclosure Statement), as well as in the materials sent to creditors and the equity security holders of the Debtors regarding voting on the Plan.

8. SPECIAL NOTICE to holders of 7 1/2% Convertible Subordinated Debentures issued by Texas International Airlines Finance N.V. and holders of Guaranteed Floating Rate Notes issued by Texas International Airlines Capital N.V. (collectively, the "Eurobonds"):

Upon the approval of the Disclosure Statement by the Bankruptcy Court, the Plan, the approved Disclosure Statement and a ballot for voting on the Plan will be sent to all known holders of Eurobonds. Additionally, approximately one week after such approval, notice will be published advising holders of Eurobonds of the procedures for voting on the Plan and how they may obtain ballots and copies of the Plan and Disclosure Statement.

Dated: Houston, Texas
October 18, 1985

WELL, GOTSHAL & MANGES
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

/s/ T. Glover Roberts
United States Bankruptcy Judge
United States Courthouse
515 Rusk Street
Houston, Texas 77002

UK COMPANY NEWS

Fenner £1m down despite recovery in second half

DESPITE a sharp improvement over the second six months J. H. Fenner (Holdings), the Hull-based power transmission engineer, still ended the year to August 31 1985, some £1.06m lower at the pre-tax level.

And compared with a promised 50 per cent rise in the dividend total shareholders are to receive a same-again 5p net per 25p share, the final being 3p.

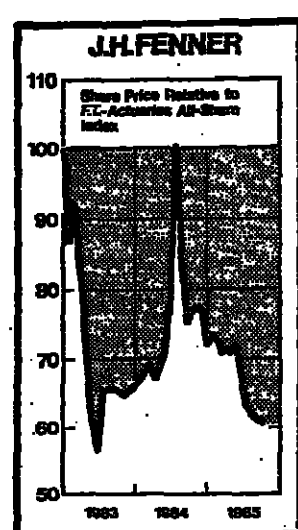
The directors forecast the dividend rise in their successful defence against a bid from Hawker Siddeley in August last year.

In maintaining the payment they say they are aware of their commitment to shareholders but feel it would be inappropriate to increase the dividend until the planned financial improvements have been fully achieved.

Second half profits rose to £3.32m (£2.98m) and lifted the total to £3.96m pre-tax, compared with the previous year's restated £5.02m. Interest charges surged from £3.73m to £5.58m.

Turnover improved from £154.05m to £167.5m despite an advance of only 3 per cent at home where improvements in most UK activities offset the reduced demand from the National Coal Board.

Overseas sales increased by almost 15 per cent while exports from the UK increased by over



J.H. FENNER
Share Price Performance to 15-November 1985

40 per cent.

For the year as a whole profits before tax for both the UK and overseas divisions are also carried over virtually unchanged at £1.5m and £2.4m respectively — the associates swung from profits of £465,000 to losses of £251,000. The power transmission business is responding to a significant rationalisation and investment programme and this

improvement, helped by substantial exports of conveyor belt, produced a strong recovery from the weak first half.

Group performance during the year was seriously impaired by a combination of external problems arising from three specific areas — India, South Africa and UK mining activities.

However, the directors are encouraged by good progress made in many areas, particularly newer activities such as electronics and the significant strengthening of the American operations which, they say, will lessen group dependence on the more traditional overseas markets of India and South Africa.

comment

Fenner's problems had been well aired at the half-way stage and there were few surprises in these figures: if anything they were a little better than expected and the shares managed to remain unchanged at 125p. At first glance it seems that everything that could have gone wrong during the year did so, but take out the £1m loss in India and it can be seen that some of the businesses must have been performing strongly to have kept remaining profits unchanged despite setbacks on mining-related and South African activities. The effects of the steel strike persist even now and exchange rates are still adverse, but if there are no further misfortunes the current year should see a recovery to at least £7.5m, putting the shares on a prospective p/e ratio of about 8½ after a 35 per cent tax charge. At that price they are not without attractions. The prospective yield of 8.4 per cent should keep investors happy while they wait to see what Emerson Electric does with its 25 per cent stake.

J.S. Pathology for USM

J.S. Pathology, an independent clinical pathology laboratory, is planning to join the national securities market with a placing of 1.83m shares at 150p a share by brokers Grieson, Grant, giving it a market capitalisation of £11.1m.

The company will form part of a newly-emergent health sector of the USM consisting of Health Care Services, The Swindon Private Hospital and West Yorkshire Independent Hospital. West Yorkshire joined the market on Monday.

J.S. Pathology was started in 1983 by Mrs Jean Shanks, chairman and chief executive. It now employs a staff of 140, more than half of whom are professionally qualified.

About half its turnover comes

from patient referrals from doctors and consultants. Clinical pathology tests are also carried out on behalf of independent hospitals in the UK and overseas.

Two of its strongest areas of growth are health screening and carrying out clinical trials of new drugs on behalf of pharmaceutical companies.

Profits have grown at an annual compound rate of 43 per cent in the five years to March 1985. In the last full year they were £1.7m (£1.2m) on turnover of £4.25m (£3.5m).

The company has forecast pre-tax profits of £1.9m for the current year, putting the shares on a prospective p/e ratio of 16.7 after an estimated 42 per cent tax charge.

David Dixon higher at £0.42m

David Dixon Group, the Leeds-based clothing maker, raised pre-tax profits from £381,000 to £423,000 for the six months to September 28 1985, and the directors say the outlook for the remainder of the year is excellent.

Orders throughout the group are at record levels, while sales and profits from each group company are expected to be higher

in the second half. First-half profits climbed from £748m to £8m, and all group companies were profitable.

Operating profits rose from £395,000 to £499,000. Interest charges fell from £228,000 (£177,000), mainly as a result of higher rates. However, in October and November the overdraft has fallen significantly and the charge for the second half will be much lower, the company says.

After tax of £42,000 (£78,000) stated earnings per 25p share were up from 15.14p to 20.14p. The interim dividend is raised to 3p (2.5p) net — last year's total was 6p.

Dialene

Dialene, the plastic injection moulder whose flotation on the USM was announced last week, will be coming to the market with a placing of 1.22m shares at 128p per share by brokers De Zoete & Bevan. Its market capitalisation at the placing price will be £4.5m. Some 908,000 of the shares will be sold by the founding Ilsen family and 311,000 by the company, raising about £293,000.

British Empire

THE FINAL dividend of the British Empire Securities and General Trust has been reduced from 0.7p to 0.5p in the year to September 30 1985, as anticipated at the time of its rights issue in May. Net asset value is 15p to 16p, down from 20.65p to 20.25p.

Net revenue for the year was £330,000 (£324,000) before tax of £189,000 (£197,000). Earnings per share were 0.7255p (1.1007p).

GT Global

GT Global Recovery Investment Trust had a higher net asset value of 138.5p per £1 share at the end of the six months to June 30 1985, compared with 119.7p a year previously.

Net revenue, however, declined from £124,076 to £86,285 and earnings per share fell from 1.24p to 0.86p. The interim dividend is unchanged at 0.75p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official notices are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Interim: Brichouse Dudley, A. F. Bulgin, Delmar, Freshwater Foods, Harris, Haysman, Jellison, Jellison, Keith, New London Oil, Premier Consolidated Oilfields, Steinberg, TR Property Investment Trust, Transcontinental Services, United, Finsale-Dublin, MEPC, Marine Adventure Sailing Trust.

Future Dates
Interim: British Building and Engineering Appliances Dec 11
Charter Consolidated Dec 11
Joseph (Leeds) Dec 4
Levi (G. F.) Dec 9
Pegler-Harmer Dec 12
Finsale Dec 29
Finsale Dec 29
Gravels Dec 11
Leeds Dec 3

LADEROKE INDEX
1,127-1,131 (-14)
Based on FT Index
Tel: 01-427 4411

Profits fall 38% as industrial troubles hit Bassett midway

THE SIX week strike at the Bassett Foods group had a serious effect on the interim figures. Turnover was only maintained and the pre-tax profit fell by nearly 38 per cent, from £1.7m to £1.06m.

Mr Ray Stokes, chairman of this confectionery marketing group, says prior to the strike George Bassett was well on track after the disappointing performance in the second half of last year. Its sales volume was running 5 per cent up on the first half of 1984.

The strike was by maintenance engineers at the Pontefract and Sheffield factories during August and September, and immediately followed the annual holiday period. It deferred the benefit of price increases made in August but these should show through in the second half.

Mr Stokes concedes that the short term cost of the strike was very high, but expresses the belief that for the company to remain in contention in a fiercely competitive market it is imperative not to concede to inflationary wage demands.

Turnover in the 26 weeks ended October 11 1985 came to £37.52m compared with £37.89m. Last year has been adjusted to take in Ernest Jackson (pastilles and toffees), acquired a year ago, in respect of sales £2.15m and profit £173,000.

The year started with high stock levels following the poor trading in the final quarter of the previous year. With high capital expenditure and increased interest rates this led to a rise in interest charges from £285,000 to £513,000.

Export volumes were up but

margins have been hit by currency movements. Ernest Jackson performed most satisfactorily with sales and profit well ahead.

Shareholders are receiving an increase in their interim dividend from 1.68p to 1.78p net. The final last year was 5.04p when pre-tax profits came to £2.8m.

After tax and minorities, earnings for the period are shown at 5.15p (11.70p). No provision is made for profit sharing at the interim stage.

comment

It remains difficult to get excited about Bassett Foods. Although its softer-selling confectionery has been showing gains until the strike hit, this was from depressed levels the previous year and it is not a net gain. It suffered three blows in the first half: the Dutch operation lost about £200,000 worth of profits through delays in bringing new plant into operation, currencies cost perhaps another £100,000, and the rest of the £640,000 shortfall is presumably down to the strike. The group is going to have to work hard just to equal the last full-year profit figure: much depends on what it can pull out of the bag in its last quarter but at this stage about £2.6m looks likely. This puts the shares, down 6p at 156p, on a prospective p/e ratio of 13 after a 35 per cent tax charge against a sector average of 11½. The premium would appear to rest on the assumption that shareholders who resisted Avana's approach might now feel more susceptible to further overtures.

This Advertisement is issued in accordance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the entire share capital of Dialene PLC, issued and to be issued, on the Unlisted Securities Market. It is intended that no application for these securities will be admitted to listing. A proportion of the shares being placed is available to the public through the market during market hours today.

Dialene

DIALENE PLC

(Incorporated in England under the Companies Act 1948 — No. 515837)

Placing by
de Zoete & Bevan
of

1,220,000 Ordinary shares of 25p each at 128p per share

Authorised	Share Capital	Issued and to be issued fully paid
£1,250,000	Ordinary shares of 25p each	£952,250

The principal activities of Dialene PLC and its subsidiary are the design, manufacture and distribution of plastic injection moulded products for the garden, houseware and pre-school furniture markets.

Particulars of Dialene PLC are available in the Extel Unlisted Securities Market Service and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 11th December, 1985, from:

de Zoete & Bevan,
25 Finsbury Circus,
London EC2M 7EE

27th November, 1985

NOTICE OF REDEMPTION

To the Holders of

WELLS FARGO & COMPANY

12 1/2% Subordinated Notes Due December 27, 1991, Series A

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 4 of the Series A Notes and Article Three of the Indenture dated as of December 27, 1984 between Wells Fargo & Company and Morgan Guaranty Trust Company of New York, Trustee, U.S. \$6,681,000 principal amount of the Notes has been selected for redemption on December 27, 1985 at a redemption price of 101 1/2% of the principal amount thereof.

OUTSTANDING NOTES OF \$1000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

09 21 24 31 47 49 60 61 65 72 73 83

ALSO OUTSTANDING NOTES OF \$1000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

137 237 257 277 297 317 337 357 377 397 417 437 457 477 497 517 537 557 577 597 617 637 657 677 697 717 737 757 777 797 817 837 857 877 897 917 937 957 977 997

1017 1037 1057 1077 1097 1117 1137 1157 1177 1197 1217 1237 1257 1277 1297 1317 1337 1357 1377 1397 1417 1437 1457 1477 1497 1517 1537 1557 1577 1597 1617 1637 1657 1677 1697 1717 1737 1757 1777 1797 1817 1837 1857 1877 1897 1917 1937 1957 1977 1997

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UK COMPANY NEWS

F. H. Lloyd advances to £0.8m at six months

F. H. Lloyd Holdings, the West Midlands-based engineering group, lifted pre-tax profits from £307,000 to £202,000 in the six months to September 30, 1985, and Mr Lewis Robertson, chairman, says the full year result is expected to show a useful increase over the previous year's £1.42m.

At the annual meeting in August, the chairman indicated that trading results in the first quarter had been highly encouraging, and the positive performance continued in the second period.

The group's two steel foundries increased operating profits from £227,000 to £216,000, while the steel mill contribution was higher at £222,000 (£177,000). A marked improvement in engineering and services resulted from £173,000 to £443,000 included some profit from each of the three recent acquisitions — AB Welding, Searhead Wellhead and in particular, Rollstead.

For the second half, the indications for most of the group's businesses are good, but demand from the steel mill is continuing to decline and this will affect its contribution and thus, the group

result for the second six months.

Overall sales for the first half edged up from £24.4m to £26.21m. These were split between foundries £10.6m (£9.37m), steel £7.5m (£6.97m) and engineering and services £6.13m (£5.7m).

The company is resuming the interim dividend — after five years absence — with a payment of 1p net. This is in line with the board's intention of spreading shareholders' income across the year. Last year's final was 2.5p.

First half interest charges dropped from £330,000 to £232,000 this time, and minorities, net attributable profits were ahead from £252,000 to £250,000. The interim dividend costs £241,000.

Earnings per 35p share, are shown as 3.1p (1p) before tax and 2.5p (1p) after.

comment

Last year it seemed that the new management at F. H. Lloyd was better at trimming the company's foundry and steel divisions than it was at reinvesting

the released assets in new businesses. However, these interim results show that the recently acquired subsidiaries, which got off to a difficult start, are now being made to work. Rollstead, in particular, is operating profitably after having made disappointingly large losses in the first half last year. The group is now poised to make more acquisitions, as following the disposal in May of Brown Lenoir, it has no gearing at all. The consequent reduction in the interest charge should help push profits to about £2m this year, a forecast which would have been higher if it were not for the anticipated slump in demand for steel tube, which will upset profits from that division. In pushing the shares from a low this year of 35p to yesterday's price of 70p, the market has been mindful both of the company's progress and of the strength of its assets.

However, a prospective multiple of about 13 would seem a bit high were it not for the error present prospect of a bid from Suter, which now owns 25.6 per cent of the shares.

Kitchen Taylor falls to £606,000

Robert Kitchen Taylor, the textiles and property group, made sharply lower pre-tax profits of £606,000 for the six months to September 30, 1985, compared with £1.44m for the corresponding period of 1984.

As foreshadowed, there were no significant disposals by the property division during the period. Contributions from this source have therefore been minimal compared with the significant contribution made by the property trading side last time.

The results of the textile division were broadly comparable to last year's corresponding period, but were significantly below the continuing cold and wet weather in the summer months.

This depressed sales in the fabric and leisurewear divisions, bringing margins under pressure.

Certain subsidiaries are not enjoying the same success as the group and will either be restructured or sold, the directors say.

The company has continued to consolidate its UK manufacturing operations. One factory has been disposed of and a subsidiary has been sold as a going concern. The reorganisation of these operations is now well advanced and should be completed during 1986.

The interim dividend is 3p (same) net — in the previous 18 months period, dividends totalling 16.5p were paid from £2.25m pre-tax profits.

Stated half-year earnings per 10p share fell from 26.5p to 8.6p. Tax charge was £255,000 (£414,000) and there were also extraordinary debits this time of £134,000 for the net costs relating to the proposed factory closure. Attributable profits came to £203,000 against £1,026,000.

Turnover improved from £10.5m to £12.9m.

Monks Investment cuts US portfolio

THE NET asset value for the Baillie Gifford-managed Monks Investment Trust rose to 197.3p on October 31, 1985, compared with 190.1p a year earlier. However it fell slightly from the 198.8p, recorded at April 30, 1985.

Despite a fall in investment income from £2.09m to £1.7m, net revenue improved by 15 per cent to £915,000 (£797,000). The directors said that was the result

of the sale of the Japanese bond portfolio which allowed the trust to repay a £25m loan.

Stated earnings per share were 1.18p against 1.08p. There will be an unchanged interim payment of 1.1p.

There were net reductions in investments in the US and Japan and an increase in continental Europe. Europe accounted for 11.5 per cent while the US fell from 32.9 per cent to 23.9 per

cent. Its US dollar position was fully hedged throughout the period.

In the present year priority has been given to Germany and France. Japan should be able to grow at a good rate while UK growth is reasonable.

The directors expect further growth in earnings in the second half and the total dividend will be at least the 2.4p paid last year.

COMPANY NEWS IN BRIEF

HELLENIC & GENERAL Trust, the investment holding subsidiary of Hambros, achieved higher pre-tax revenue of £379,000, against £289,000, over the six months to end-September 1985. Tax was £232,000 (£239,000).

FLEMING UNIVERSAL Investment Trust returned lower available profits of £780,000 against £814,000, for the six months to end-September, 1985. While uncertainties remain the company is optimistic that the second half will see better returns. Net asset value per 25p share at the

end of the period was 369.1p against 356.1p a year previous. An unchanged interim dividend has already been declared, and anticipated revenue for the year should enable a minimum 5p (5p) total.

GEORGE OLIVER (Footwear) is to buy 50 per cent of Arizona Shoe Corporation for £2.4m (£1.7m) of which £400,000 is payable on completion and the balance by an interest bearing promissory note of \$2m redeemable on January 1. Arizona is said to be the largest privately owned shoe retailer in the south west of the US, with 22 outlets

in Phoenix and two in Tucson. This is a significant indication of the company's growth in the US and it is intended to build on this in that region. In the year ended September 30, 1985 Arizona made a pre-tax profit of \$752,000 (£452,000) on sales of \$12.38m (£10.77m). Net tangible assets were \$1.6m.

STEWART NAIRN Group says that following the completion and subsequent letting of its building in Wokingham, the company has disposed of its freehold interest to the representative body of the Church of Wales. The price reflects a yield of under 5.25 per cent. The

building has been let to Case Communications at a rent believed to be in excess of \$44,500 per annum.

JOHN GOVETT Management Group intends to change the names of four investment trusts in the group. Border and Southern Stockholders Trust will become Govett Strategic Investment Trust; Lake View Investment Trust will be Govett Oriental Investment Trust; Stockholders Investment Trust; and General Stockholders Investment Trust to Govett Enterprise Investment Trust.

Redemption Notice

COMMERCIAL UNION ASSURANCE COMPANY plc
US\$30,000,000 8½% Bonds 1986

NOTICE IS HEREBY GIVEN, pursuant to the Trust Deed, between Commercial Union Assurance Company plc and The Law Debenture Corporation plc, dated December 22, 1971 under which the above described Bonds were issued, that Commercial Union Assurance Company plc, has selected by lot for redemption on December 15, 1985 through the operation of the Sinking Fund, \$2,488,000 principal amount of said Bonds at the Sinking Fund redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows:

64	1859	4223	5548	9285	12843	13261	14791	15918	16126	17074	18200	18773	22311	23415	23756	24047	27126	27579	27938	28316	28643	28883	29437	29740
65	1862	4794	5853	6896	12847	13264	14795	15918	16126	17074	18200	18773	22311	23415	23756	24047	27126	27579	27938	28316	28643	28883	29437	29740
66	71	3853	4717	5552	9292	12850	13267	14797	15933	17077	18203	18777	22315	23419	23760	24048	27130	27581	27941	28319	28645	28885	29440	29744
67	72	3857	4863	5856	6905	12854	13271	14800	15933	17103	18209	18783	22319	23423	23764	24051	27133	27585	27945	28323	28649	28889	29444	29748
68	73	3868	4867	5865	6914	12858	13275	14803	15936	17133	18206	18786	22343	23426	23767	24054	27136	27588	27948	28326	28652	28892	29447	29751
69	74	3879	4871	5874	6923	12861	13278	14806	15939	17157	18213	18789	22347	23429	23770	24057	27139	27591	27951	28329	28655	28895	29450	29754
70	75	3890	4875	5883	6932	12864	13281	14809	15942	17181	18219	18792	22351	23432	23773	24060	27142	27594	27954	28332	28658	28898	29453	29757
71	76	3897	4879	5891	6941	12867	13284	14812	15945	17205	18226	18795	22355	23435	23776	24063	27145	27597	27957	28335	28661	28901	29456	29760
72	77	3908	4883	5899	6950	12870	13287	14815	15948	17229	18233	18798	22359	23438	23779	24066	27148	27600	27960	28338	28664	28904	29459	29763
73	78	3919	4887	5907	6959	12873	13290	14818	15951	17253	18240	18802	22363	23441	23782	24069	27151	27603	27963	28341	28667	28907	29462	29766
74	79	3930	4891	5915	6968	12876	13293	14821	15954	17277	18247	18805	22367	23444	23785	24072	27154	27606	27966	28344	28670	28910	29465	29769
75	80	3941	4895	5923	6977	12879	13296	14824	15957	17301	18254	18808	22371	23447	23788	24075	27157	27609	27969	28347	28673	28913	29468	29772
76	81	3952	4899	5931	6986	12882	13299	14827	15960	17325	18261	18812	22375	23450	23791	24078	27160	27612	27972	28350	28676	28916	29471	29775
77	82	3963	4903	5939	6995	12885	13302	14830	15963	17349	18268	18815	22379	23453	23794	24081	27163	27615	27975	28353	28679	28919	29474	29778
78	83	3974	4907	5947	7004	12888	13305	14833	15966	17373	18275	18818	22383	23456	23797	24084	27166	27618	27978	28356	28682	28922	29477	29781
79	84	3985	4911	5955	7013	12891	13308	14836	15969	17397	18282	18821	22387	23459	23800	24087	27169	27621	27981	28359	28685	28925	29480	29784
80	85	3996	4915	5963	7022	12894	13311	14839	15972	17421	18289	18824	22391	23462	23803	24090	27172	27624	27984	28362	28688	28928	29483	29787
81	86	4007	4919	5971	7031	12897	13314	14842	15975	17445	18296	18827	22395	23465	23806	24093	27175	27627	27987	28365	28691	28931	29486	29790
82	87	4018	4923	5979	7040	12900	13317	14845	15978	17469	18303	18830	22399	23468	23809	24096	27178	27630	27990	28368	28694	28934	29489	29793
83	88	4029	4927	5987	7049	12903	13320	14848	15981	17493	18310	18833	22403	23471	23812	24099	27181	27633	27993	28371	28697	28937	29492	29796
84	89	4040	4931	5995	7058	12906	13323	14851	15984	17517	18317	18836	22407	23474	23815	24102	27184	27636	27996	28374	28700	28940	29495	29799
85	90	4051	4935	6003	7067	12909	13326	14854	15987	17541	18324	18839	22411	23477	23818	24105	27187	27639	27999	28377	28703	28943	29498	29802
86	91	4062	4939	6011	7076	12912	13329	14857	15990	17565	18331	18842	22415	23480	23821	24108	27190	27642	28002	28380	28706	28946	29501	29805
87	92	4073	4943	6019	7085	12915	13332	14860	15993	17589	18338	18845	22419	23483	23824	24111	27193	27645	28005	28383	28709	28949	29504	29808
88	93	4084	4947	6027	7094	12918	13335	14863	15996	17613	18345	18848	22423	23486	23827	24114	27196	27648	28008	28386	28712	28952	29507	29811
89	94	4095	4951	6035	7103	12921	13338	14866	15999	17637	18352	18851	22427	23489	23830	24117	27199	27651	28011	28389	28715	28955	29510	29814
90	95	4106	4955	6043	7112	12924	13341	14869	16002	17661	18359	18854	22431	23492	23833	24120	27202	27654	28014	28392	28718	28958	29513	29817
91	96	4117	4959	6051	7121	12927	13344	14872	16005	17685	18366	18857	22435	23495	23836	24123	27205	27657	28017	28395	28721	28961	29516	29820
92	97	4128	4963	6059	7130	12930	13347	14875	16008	17709	18373	18860	22439	23498	23839	24126	27208	27660	28020	28398	28724	28964	29519	29823
93	98	4139	4967	6067	7139	12933	13350	14878	16011	17733	18380	18863	22443	23501	23842	24129	27211	27663	28023	28401	28727	28967	29522	29826
94	99	4150	4971	6075	7148	12936	13353	14881	16014	17757	18387	18866	22447	23504	23845	24132	27214	27666	28026	28404	28730	28970	29525	29829
95	100	4161	4975	6083	7157	12939	13356	14884	16017	17781	18394	18869	22451	23507	23848	24135	27217	27669	28029	28407	28733	28973	29528	29832
96	101	4172	4979	6091	7166	12942	13359	14887	16020	17805	18401	18872	22455	23510	23851	24138	27220	27672	28032	28410	28736	28976	29531	29835
97	102	4183	4983	6099	7175	12945	13362	14890	16023	17829	18408	18875	22459	23513	23854	24141	27223	27675	28035	28413	28739	28979	29534	29838
98	103	4194	4987	6107	7184	12948	13365	14893	16026	17853	18415	18878	22463	23516	23857	24144	27226	27678	28038	28416	28742	28982	29537	29841
99	104	4205	4991	6115	7193	12951	13368	14896	16029	17877	18422	18881	22467	23519	23860	24147	27229	27681	28041	28419	28745	28985	29540	29844
100	105	4216	4995	6123	7202	12954	13371	14899	16032	17901	18429	18884	22471	23522	23863	24150	27232	27684	28044	28422	28748	28988	29543	29847
101	106	4227	4999	6131	7211	12957	13374	14902	16035	17925	18436	18887	22475	23525	23866	24153	27235	27687	28047	28425	28751	28991	29546	29850
102	107	4238	5003	6139	7220	12960	13377	14905	16038	17949	18443	18890	22479	23528	23869	24156	27238	27690	28050	28428	28754	28994	29549	29853
103	108	4249	5007	6147	7229	12963	13380	14908	16041	17973	18450	18893	22483	23531	23872	24159	27241	27693	28053	28431	28757	28997	29552	29856
104	109	4260	5011	6155	7238	12966	13383	14911	16044	18000	18457	18896	22487	23534	23875	24162	27244	27696	28056	28434	28760	29000	29555	29859
105	110	4271	5015	6163	7247	12969	13386	14914	16047	18024	18464	18899	22491	23537	23878	24165	27247	27699	28059	28437	28763	29003	29558	29862
106	111	4282	5019	6171	7256	12972	13389	14917	16050	18048	18471	18902	22495	23540	23881	24168	27250	27702	28062	28440	28766	29006	29561	29865
107	112	4293	5023	6179	7265	12975	13392	14920	16053	18072	18478	18905	22499	23543	23884	24171	27253	27705	28065	28443	28769	29009	29564	29868
108	113	4304	5027	6187	7274	12978	13395	14923	16056	18096	18485	18908	22503	23546	23887	24174	27256	27708	28068	28446	28772	29012	29567	29871
109	114	4315	5031	6195	7283	12981	13398	14926	16059	18120	18492	18911	22507	23549	23890	24177	27259	27711	28071	28449	28775	29015	29570	29874
110	115	4326	5035	6203	7292	12984	13401	14929	16062	18144	18500	18914	22511	23552	23893	24180	27262	27714	28074	28452	28778	29018	29573	29877
111	116	4337	5039	6211	7301	12987	13404	14932	16065	18168	18507	18917	22515	23555	23896	24183	27265	27717	28077	28455	28781	29021	29576	29880
112	117	4348	5043	6219	7310	12990	13407	14935	16068	18192	18514	18920	22519	23558	23899	24186	27268	27720	28080	28458	28784	29024	29579	29883
113	118	4359	5047	6227	7319	12993	13410	14938	16071	18216	18521	18923	22523	23561	23902	24189	27269	27723	28083	28461	28787	29027	29582	29886
114	119	4370	5051	6235	7328	12996	13413	14941	16074	18240	18528	18926	22527	23564										

Svenska Handelsbanken

US\$ 100,000,000 12½% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (b) of the Notes, US\$ 9,000,000 principal amount of the Notes has been drawn for redemption on 27th December 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 27th December 1985.

The serial numbers of the Notes drawn for redemption are as follows:—

9	1002	2030	2868	3856	4877	5829	6933	8008	8960	10164	11187	12146	13126	14202	15219	16113	17051	18120	19044
15	1007	2052	2890	3868	4880	5841	6944	8015	9024	10172	11218	12159	13130	14214	15229	16120	17076	18142	19051
16	1015	2104	2891	3893	4893	5863	6947	8016	9039	10178	11223	12179	13146	14217	15230	16126	17086	18151	19060
25	1051	2105	2915	3904	4901	5877	6960	8026	9054	10188	11232	12189	13157	14231	15243	16129	17107	18154	19063
26	1060	2106	2926	3924	4919	5878	6966	8037	9070	10192	11236	12193	13161	14235	15247	16133	17111	18158	19065
32	1063	2115	2937	3934	4947	5880	6972	8037	9079	10243	11233	12204	13203	14261	15264	16141	17133	18174	19093
46	1064	2130	2940	3936	4939	5882	6973	8045	9106	10251	11241	12207	13206	14270	15257	16159	17140	18182	19094
56	1066	2139	2945	3938	4940	5883	6974	8050	9119	10256	11245	12211	13210	14275	15269	16167	17156	18183	19120
60	1070	2145	2959	3945	4948	5890	6980	8070	9167	10293	11252	12216	13216	14279	15269	16184	17165	18190	19137
79	1076	2148	2960	3955	4954	5912	7004	8081	9169	10302	11253	12217	13217	14287	15262	16198	17168	18199	19180
90	1081	2154	2984	3959	4962	5916	7016	8089	9170	10307	11261	12226	13226	14294	15270	16199	17169	18200	19215
112	1089	2184	3011	3965	4968	5919	7031	8093	9171	10311	11270	12227	13227	14302	15282	16199	17174	18206	19232
130	1106	2186	3035	3977	5040	5921	7035	8094	9179	10318	11274	12238	13237	14306	15283	16206	17197	18221	19240
136	1125	2189	3038	3981	5043	5926	7044	8097	9203	10329	11288	12261	13238	14316	15288	16216	17202	18224	19256
144	1126	2196	3045	3990	5044	5948	7069	8124	9206	10330	11290	12263	13239	14317	15294	16219	17204	18225	19257
145	1141	2209	3047	3991	5049	5979	7104	8126	9208	10342	11292	12267	13239	14317	15294	16219	17204	18225	19257
146	1147	2210	3051	3999	5054	5983	7107	8129	9210	10361	11293	12268	13239	14317	15294	16219	17204	18225	19257
157	1211	2257	3072	4001	5058	6002	7174	8152	9215	10395	11295	12269	13239	14317	15294	16219	17204	18225	19257
169	1217	2265	3091	4018	5095	6021	7175	8157	9216	10406	11296	12270	13239	14317	15294	16219	17204	18225	19257
171	1219	2278	3101	4027	5102	6022	7175	8157	9216	10406	11296	12270	13239	14317	15294	16219	17204	18225	19257
172	1223	2281	3119	4034	5104	6032	7183	8175	9215	10413	11297	12271	13239	14317	15294	16219	17204	18225	19257
181	1250	2307	3123	4046	5105	6070	7188	8182	9278	10423	11292	12239	13248	14434	15372	16320	17291	18339	19301
190	1257	2323	3127	4053	5106	6079	7193	8202	9280	10426	11295	12237	13249	14437	15395	16336	17298	18341	19314
207	1258	2325	3134	4063	5107	6137	7198	8238	9297	10432	11304	12244	13254	14450	15396	16346	17304	18349	19319
208	1258	2327	3137	4066	5110	6137	7199	8238	9297	10432	11304	12244	13254	14450	15396	16346	17304	18349	19319
213	1316	2343	3173	4086	5143	6153	7243	8381	9321	10478	11319	12314	13316	14482	15418	16368	17347	18355	19375
283	1339	2351	3206	4093	5157	6159	7257	8382	9320	10485	11320	12315	13321	14495	15430	16390	17352	18362	19379
284	1339	2351	3206	4093	5157	6159	7257	8382	9320	10485	11320	12315	13321	14495	15430	16390	17352	18362	19379
285	1341	2352	3207	4094	5158	6160	7258	8383	9321	10486	11321	12316	13322	14496	15431	16391	17353	18363	19380
302	1354	2357	3232	4113	5181	6196	7318	8382	9321	10486	11321	12316	13322	14496	15431	16391	17353	18363	19380
322	1366	2361	3236	4118	5184	6204	7326	8383	9321	10486	11321	12316	13322	14496	15431	16391	17353	18363	19380
326	1381	2373	3238	4151	5201	6210	7339	8389	9373	10533	11349	12303	13377	14537	15506	16484	17452	18376	19419
329	1385	2388	3242	4159	5202	6217	7371	8386	9373	10533	11349	12303	13377	14537	15506	16484	17452	18376	19419
343	1405	2393	3244	4184	5207	6217	7387	8393	9390	10542	11357	12319	13377	14537	15506	16484	17452	18376	19419
350	1434	2404	3261	4191	5211	6262	7390	8397	9418	10543	11354	12324	13377	14537	15506	16484	17452	18376	19419
351	1438	2406	3262	4192	5212	6269	7391	8399	9423	10546	11356	12324	13377	14537	15506	16484	17452	18376	19419
356	1444	2408	3272	4203	5219	6272	7402	8411	9428	10562	11377	12354	13369	14599	15569	16542	17473	18434	19491
362	1456	2423	3276	4228	5228	6289	7410	8419	9474	10596	11382	12376	13369	14599	15569	16542	17473	18434	19491
364	1458	2423	3276	4228	5228	6289	7410	8419	9474	10596	11382	12376	13369	14599	15569	16542	17473	18434	19491
372	1477	2467	3285	4240	5248	6291	7417	8453	9524	11013	11621	12593	13669	14608	15587	16568	17498	18474	19526
387	1497	2478	3289	4243	5249	6297	7428	8454	9532	11038	11628	12594	13671	14617	15589	16572	17498	18474	19526
392	1503	2483	3297	4244	5252	6333	7445	8455	9533	11048	11637	12597	13672	14628	15594	16573	17499	18485	19539
430	1514	2498	3311	4246	5279	6376	7448	8481	9540	11062	11648	12605	13682	14640	15627	16596	17507	18510	19548
435	1526	2500	3320	4249	5284	6390	7451	8504	9551	11064	11650	12621	13703	14649	15645	16604	17517	18515	19553
442	1561	2507	3344	4301	5288	6393	7455	8506	9554	11073	11654	12628	13710	14679	15661	16607	17518	18523	19555
443	1562	2508	3345	4302	5289	6394	7456	8507	9555	11074	11655	12629	13711	14680	15662	16608	17519	18524	19556
459	1586	2523	3353	4325	5311	6405	7485	8545	9563	11079	11666	12643	13720	14681	15661	16609	17520	18525	19557
460	1589	2535	3354	4326	5312	6414	7488	8562	9565	11088	11679	12645	13724	14687	15667	16610	17521	18526	19558
468	1591	2536	3357	4326	5314	6414	7488	8562	9565	11088	11679	12645	13724	14687	15667	16610	17521	18526	19558
469	1609	2541	3373	4416	5360	6490	7493	8569	9584	11073	11686	12651	13724	14687	15667	16610	17521	18526	19558
471	1616	2544	3399	4423	5389	6499	7498	8596	9593	11078	11694	12661	13735	14731	15715	16644	17611	18564	19583
504	1625	2545	3400	4427	5394	6528	7513	8597	9630	11078	11704	12661	13736	14735	15716	16660	17624	18572	19585
508	1643	2561	3402	4441	5418	6559	7540	8600	9641	11073	11719	12682	13773	14745	15724	16669	17624	18575	19587
513	1648	2567	3403	4443	5425	6562	7541	8606	9646	11073	11719	12682	13773	14745	15724	16669	17624	18575	19587
517	1652	2576	3411	4493	5433	6593	7548	8618	9648	11073	11719	12682	13773	14745	15724	16673	17625	18582	19590
519	1668	2580	3421	4497	5483	6606	7550	8661	9662	11085	11766	12727	13791	14757	15753	16682	17687	18584	19596
521	1672	2592	3437	4498	5488	6621	7557	8672	9674	11081	11769	12735	13792	14758	15778	16686	17690	18606	19599
524	1684	2605	3447	4499	5495	6628	7574	8677	9675	11083	11775	12737	13835	14799	15779	16691	17691	18614	19664
536	1715	2606	3449	4522	5537	6653	7576	8685	9677	11084	11777	12737	13860	14801	15783	16711	17695	18627	19669
569	1716	2607	3450	4533	5538	6656	7592	8694	9679	11084	11778	12737	13865	14805	15788	16712	17696	18628	19670
584	1718																		

FT COMMERCIAL LAW REPORTS

Guarantor's liability unlimited

TCB LTD v GRAY
Chancery Division: Sir Nicolas
Browne-Wilkinson, Vice-Chan-
cellor, November 21 1985.

WHERE a person signs an unsealed power of attorney expressed to be "signed, sealed and delivered" intending that it should be relied on as a power of attorney, he cannot later assert its invalidity against those who rely on it to their detriment. Nor can he assert the invalidity of a debenture issued by his company in favour of a person acting in good faith in that the transaction is statutorily deemed to be authorised and within the company's capacity.

Sir Nicolas Browne-Wilkinson V-C so held when giving judgment for the plaintiff company, TCB Ltd, in a claim on a personal guarantee given by the defendant, Mr Victor Gray.

Section 9(1) of the European Communities Act 1972 provides: "In favour of a person dealing with a company in good faith, any transaction decided on by the directors shall be deemed to be within the capacity of the company... and the power of the directors to bind the company shall be deemed to be free of any limitation... unless the contrary be proved."

HIS LORDSHIP said that TCB was a secondary bank. Mr Gray was a very successful businessman. He had built up two previous private companies called Graylaw and Link, in which he was principal shareholder.

In January 1983 Mr Gray wished to enter into a specific transaction through the medium of Graylaw and Link. For that purpose he needed to borrow £5m. His loan broker approached TCB and stated that Mr Gray's guarantees would be available. At a meeting between Mr Gray, his brokers and TCB on January 21, TCB agreed in principle to make the loan.

Mr Gray was insisting that the loan should go through with the greatest urgency. He was planning to go to Switzerland the following week and it was arranged that he should give power of attorney to his solicitor to enable him to complete the matter. A power of attorney was prepared and signed by him. On its face there was no seal, neither, however, was there any indication that a seal was intended to be affixed.

The transaction involved 10 guarantees in all, one to be executed by Mr Gray, and the

others by third party mortgagors. The solicitor prepared the necessary documentation. At some stage during January 23 one copy of TCB's standard form of guarantee was amended by typing at the end of it a clause 15 which provided that the guarantor's liability should be unlimited. It was then photostated. At that stage a mistake was made. Mr Gray had not left for Switzerland and various documents were sent to him for execution, including the guarantee. In error the form sent was one of the photostated containing the clause which limited his liability under the guarantee. Mr Gray executed his guarantee in unlimited form.

The next day the error was noticed and drawn to the solicitor's attention. He thought he could correct it under the power of attorney, but decided to ring Mr Gray to cover his back.

His evidence was that he did ring Mr Gray, spoke to him, and got the necessary approval. He deleted clause 15, initialing the deletion and the full £5m was drawn the next day.

A year later Graylaw and Link collapsed and went into liquidation. The security proved inadequate to repay TCB in full. On February 8 1985 payment was demanded on the guarantee, and when the demand was not met the present action was begun. The amount claimed (but not yet proved) was approximately £15m.

In defence Mr Gray said that the deletion was authorised either by the alleged telephone call of January 26 or under the power of attorney. He said the power of attorney was invalid since it was not sealed.

On the evidence it was found that Mr Gray well knew, on January 21 and thereafter, that he was being required to give a personal guarantee, and that it was not sealed.

The power of attorney, described as a general power of attorney, was signed by Mr Gray and opposite his signature were the words "signed, sealed and delivered," but there was no seal or other mark to indicate it had been sealed.

Section 1(1) of the Powers of Attorney Act 1971 provided that an instrument creating a power of attorney should be "signed and sealed by, or by direction and in the presence of, the donor

of the power." Approaching the evidence on any normal basis the court would be unable to find as a fact that anything constituting sealing took place.

If the court were to hold that the document was in fact sealed it would not only be flying in the face of what actually happened, but also disregarding the statutory requirement that it should be sealed.

But it was not open to Mr Gray to raise the point, since he was estopped from denying that the document was sealed.

He had executed a document drafted as a deed which said that he had purposed to set his hand and seal. There was, therefore, a representation of fact that it was sealed. Mr Gray executed the document with the intention that it should be relied upon as a power of attorney, knowing that TCB was going to rely on it.

TCB relied on it to its detriment, since it advanced money in reliance on documents executed under the power. The case therefore bore all the necessary elements of a classic estoppel.

Mr Brodie's second line of defence on behalf of Mr Gray was that he personally only entered into the transaction on the basis that he was guaranteed by the company. Graylaw and Link, to be secured by a debenture, was not validly executed by Link's articles of association provided that "every instrument to which the seal shall be affixed shall be signed by a director."

Under the law a person dealing with a corporation was required to look at the company's memorandum and articles to satisfy himself that the transaction was within its corporate capacity.

Section 9(1) was passed to bring the law of England into line with article 9 of Council Directive 68/151 of the European Economic Community. The manifest purpose of the directive and the section was to enable people to deal with a company in good faith without being affected by any limitation on its capacity or its rules for internal management.

Given good faith a third party was able to deal with a company through its organs or directors. Section 9(1) achieved that in two ways. It deemed all transactions to be authorised, and it deemed that the directors could

bind the company without limitation. Mr Brodie said TCB should have looked at the articles and discovered the irregularity and that accordingly they were not acting in good faith.

He rightly abandoned that argument. The last words of the second part of the sub-section expressly provided that good faith was to be presumed; the second part expressly provided that the person dealing with the company was not bound to inquire.

Mr Brodie's next submission was that in order for the section to apply at all, the first requirement was that there must be a transaction by the company. Since Link never sealed the debenture in the only way authorised by the articles, it was argued, there was no transaction.

It was right to drive a coach and horses through the section. In every dealing with the company the third party would have to look at its articles to ensure that the company was binding itself in an authorised manner.

The section did not have that effect. It applied to transactions which a company purported to enter into and deemed them validly entered into.

Mr Brodie also submitted that the article regulating the way in which Link could seal documents, was not a "limitation" on the powers of directors, but a mandatory direction as to the only way in which the company could bind itself.

That submission also was rejected. It applied to the section only if it was a limitation on the powers of directors, or a deemed capacity to enter into the debenture. Being an artificial person it could only enter into the debenture by its agents, the directors. Any direction in the articles as to the manner in which they could act as agents was a limitation on their power to bind the company and as such fell within the first part of section 9(1).

Finally Mr Brodie submitted that in order to rely on the section it had to be shown that the debenture was a transaction "decided on by the directors." He said the evidence showed that the directors of Link never did decide to enter into the debenture.

In fact all the directors of Link individually did decide to grant the debenture, though not at a meeting at which they were all present. Accordingly, Mr Gray was liable without limit on his personal guarantee. For TCB: Robert Reid QC and David P. (Buckley Family). For Mr Gray: Stanley Brodie QC and Gabriel Moss (H. Davis and Co.).

By Rachel Davies
Barrister

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COMMODITIES AND AGRICULTURE

Bonn under fire on tin crisis

BY JOHN DAVIES IN FRANKFURT AND QUENTIN PEEL IN BRUSSELS

EUROPEAN GOVERNMENTS are embarking on an intensified bout of discussions about the international tin crisis, with the West German Government in particular facing pressure to adopt a more conciliatory stand. The UK is trying to persuade the EEC partners to follow its lead in pledging to honour the debts of the International Tin Council, which is anxious to win support before the council's next emergency meeting on the month-old crisis on Monday.

The council, which runs a price pact on behalf of 22 tin consuming and producing countries, owes hundreds of millions of pounds to banks and metal traders after running out of money in its attempts to support tin prices.

British Government officials had talks in Bonn yesterday with their counterparts in the West German Economics Ministry in preparation for a meeting of the commodities committee of the European Commission in Brussels today.

The West Germans are also braced for the possibility that the UK will raise its concerns about the tin crisis during high-level Anglo-German talks in London today.

EEC Trade and Foreign Ministers yesterday instructed

the European Commission to draw up proposals for a common position on restoring order to the tin market.

Mr Paul Corman, the British Trade Minister, appealed to his colleagues to agree on actions to propose at the ITC meeting.

"It would be extremely serious for all western countries if the tin agreement collapses," he said.

Mr Carl-Heinz Narjes, the Industry Commissioner, said he would present proposals in the very near future. These could even be discussed by officials tomorrow, and finalised by national representatives at their meeting on Friday.

Chancellor Helmut Kohl will be in London for a regular meeting of consultations with Mrs Margaret Thatcher, the UK Prime Minister, and senior ministers and officials will also be in the West German party.

Meanwhile in Brussels, the tin question was due to be raised last night at a routine meeting of the EEC Foreign Ministers and again today at a European Commission meeting.

However, despite this flurry of diplomatic activity, there is as yet little sign that UK pressure has paid off.

The UK is concerned that the crisis might damage the London

Metal Exchange, where tin trading has been suspended since October 24. But the UK's influence is limited because the EEC speaks on the tin council with one voice and the West German attitude is seen as crucial.

The Economics Ministry in Bonn yesterday dismissed suggestions that West Germany was relaxing its position and might be prepared to give some backing to the tin council provided that other countries did so and provided that the creditors agreed to write off some of the financial obligations.

Such reports were "plucked out of the air," according to one official yesterday. The West Germans say that their position has not been changed and that movement towards solving the crisis should come from others.

The Bonn Government has, however, received a plea from Metallgesellschaft and Freusberg, the West German metal concerns, to recognise the international importance of the London Metal Exchange.

The two companies, both of which have trading subsidiaries in London, have sent a joint letter to Bonn pointing out that West Germany, as a major industrial country, has an interest in upholding the

London Metal Exchange as a free market mechanism.

Stefan Wapstyl, add: Datuk Paul Leong, the Malaysian Primary Industries Minister, said in London yesterday that a viable solution to the tin crisis demanded concerted action by everyone involved.

This included tin producing and consuming countries—whether or not they were members of the tin council—bankers and the London Metal Exchange.

Datuk Leong had no fresh proposals to make for solving the crisis, but he hoped that his visit to London might have brought a new initiative from Malaysia. He was expected to leave for home last night.

The Minister would not be drawn on whether Malaysia would have anything new to propose when the tin council resumed its meeting next week. But he confirmed that he remained in touch with his counterparts in Indonesia and Thailand.

The apparent absence of any initiatives from Datuk Leong brought an angry reaction from the LME. Mr Jacques Lion, LME's general chairman, said it was "quite ludicrous" that the Minister had not been in touch with the LME during his visit. "It's very frustrating."

LONDON MARKETS

THE POUND'S

firmness against the dollar yesterday kept prices lower on the London Metal Exchange and on the starting denominated soft commodity markets. Cash buying against European consumer demand helped the lead market to defy the trend with a 54 rise in the cash position to \$267.50 a tonne. But the other metals were all down with cash aluminium adding \$15 to Monday's \$5 decline to \$683.50 a tonne. Last week's gain, which took the aluminium price out of its recent narrow trading range, has now been completely wiped out, much to the disappointment of bullish investors who hoped to see some consolidation at the new level before further gains were attempted. The coffee position also responded to sterling's rise with the March position moving \$31 lower to \$1,840.50 a tonne. The fall was also influenced by reports of continuing rain in Brazilian growing areas. March cocoa's \$29 fall to \$1,876.50 a tonne was encouraged by better delivery news from Brazil, the Ivory Coast and Ghana.

LME prices supplied by Amalgamated Metal Trading.

Unofficial + or - High/Low
2 months 683.4 -15 669/684.5
3 months 677.5 -15 669/684.5

Official closing (am): Cash 683.5 (682.5), three months 684.5 (683.5), settlement 683.5 (682.5). Final bid: 683.5. Turnover: 21,700 tonnes.

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US MARKETS

PRECIOUS METALS

generally weakened reflecting a bull-up in warehouse stocks of silver along with long liquidation ahead of first notice day on Friday, reports Metcald Commodities. Copper and aluminium weakened in response to poor cash interest and indications that copper stocks continue to rise outside the US. Sugar lost ground on the lack of fresh cash in inquiry. Coffee reflecting reports of rain in the growing areas of Brazil. An increase in Bahia arrivals led to selling in cocoa. Cotton remained steady on light offerings of cash along with sympathy buying in line with a firmer tone in soyabean complex. The grain complex traded mixed with maize slightly higher on light country movement while wheat steadied on Egyptian purchases. Soyabean firmed on light cash movement and lower export entries. The energy complex came under pressure in anticipation of a work build-up in the weekly trade stock report.

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Financial Times Wednesday November 27 1985

INDUSTRIALS—Continued

High	Low	Stock	Price	High	Low	Stock	Price
107.50	107.00	Marathon Oil	107.50	107.00	107.00	Marathon Oil	107.00
107.00	106.50	Marathon Oil	106.50	106.00	106.00	Marathon Oil	106.00
106.50	106.00	Marathon Oil	106.00	105.50	105.50	Marathon Oil	105.50
105.50	105.00	Marathon Oil	105.00	104.50	104.50	Marathon Oil	104.50
104.50	104.00	Marathon Oil	104.00	103.50	103.50	Marathon Oil	103.50
103.50	103.00	Marathon Oil	103.00	102.50	102.50	Marathon Oil	102.50
102.50	102.00	Marathon Oil	102.00	101.50	101.50	Marathon Oil	101.50
101.50	101.00	Marathon Oil	101.00	100.50	100.50	Marathon Oil	100.50
100.50	100.00	Marathon Oil	100.00	99.50	99.50	Marathon Oil	99.50
99.50	99.00	Marathon Oil	99.00	98.50	98.50	Marathon Oil	98.50
98.50	98.00	Marathon Oil	98.00	97.50	97.50	Marathon Oil	97.50
97.50	97.00	Marathon Oil	97.00	96.50	96.50	Marathon Oil	96.50
96.50	96.00	Marathon Oil	96.00	95.50	95.50	Marathon Oil	95.50
95.50	95.00	Marathon Oil	95.00	94.50	94.50	Marathon Oil	94.50
94.50	94.00	Marathon Oil	94.00	93.50	93.50	Marathon Oil	93.50
93.50	93.00	Marathon Oil	93.00	92.50	92.50	Marathon Oil	92.50
92.50	92.00	Marathon Oil	92.00	91.50	91.50	Marathon Oil	91.50
91.50	91.00	Marathon Oil	91.00	90.50	90.50	Marathon Oil	90.50
90.50	90.00	Marathon Oil	90.00	89.50	89.50	Marathon Oil	89.50
89.50	89.00	Marathon Oil	89.00	88.50	88.50	Marathon Oil	88.50
88.50	88.00	Marathon Oil	88.00	87.50	87.50	Marathon Oil	87.50
87.50	87.00	Marathon Oil	87.00	86.50	86.50	Marathon Oil	86.50
86.50	86.00	Marathon Oil	86.00	85.50	85.50	Marathon Oil	85.50
85.50	85.00	Marathon Oil	85.00	84.50	84.50	Marathon Oil	84.50
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80.50	80.00	Marathon Oil	80.00	79.50	79.50	Marathon Oil	79.50
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78.50	78.00	Marathon Oil	78.00	77.50	77.50	Marathon Oil	77.50
77.50	77.00	Marathon Oil	77.00	76.50	76.50	Marathon Oil	76.50
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69.50	69.00	Marathon Oil	69.00	68.50	68.50	Marathon Oil	68.50
68.50	68.00	Marathon Oil	68.00	67.50	67.50	Marathon Oil	67.50
67.50	67.00	Marathon Oil	67.00	66.50	66.50	Marathon Oil	66.50
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43.50	43.00	Marathon Oil	43.00	42.50	42.50	Marathon Oil	42.50
42.50	42.00	Marathon Oil	42.00	41.50	41.50	Marathon Oil	41.50
41.50	41.00	Marathon Oil	41.00	40.50	40.50	Marathon Oil	40.50
40.50	40.00	Marathon Oil	40.00	39.50	39.50	Marathon Oil	39.50
39.50	39.00	Marathon Oil	39.00	38.50	38.50	Marathon Oil	38.50
38.50	38.00	Marathon Oil	38.00	37.50	37.50	Marathon Oil	37.50
37.50	37.00	Marathon Oil	37.00	36.50	36.50	Marathon Oil	36.50
36.50	36.00	Marathon Oil	36.00	35.50	35.50	Marathon Oil	35.50
35.50	35.00	Marathon Oil	35.00	34.50	34.50	Marathon Oil	34.50
34.50	34.00	Marathon Oil	34.00	33.50	33.50	Marathon Oil	33.50
33.50	33.00	Marathon Oil	33.00	32.50	32.50	Marathon Oil	32.50
32.50	32.00	Marathon Oil	32.00	31.50	31.50	Marathon Oil	31.50
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22.50	22.00	Marathon Oil	22.00	21.50	21.50	Marathon Oil	21.50
21.50	21.00	Marathon Oil	21.00	20.50	20.50	Marathon Oil	20.50
20.50	20.00	Marathon Oil	20.00	19.50	19.50	Marathon Oil	19.50
19.50	19.00	Marathon Oil	19.00	18.50	18.50	Marathon Oil	18.50
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12.50	12.00	Marathon Oil	12.00	11.50	11.50	Marathon Oil	11.50
11.50	11.00	Marathon Oil	11.00	10.50	10.50	Marathon Oil	10.50
10.50	10.00	Marathon Oil	10.00	9.50	9.50	Marathon Oil	9.50
9.50	9.00	Marathon Oil	9.00	8.50	8.50	Marathon Oil	8.50
8.50	8.00	Marathon Oil	8.00	7.50	7.50	Marathon Oil	7.50
7.50	7.00	Marathon Oil	7.00	6.50	6.50	Marathon Oil	6.50
6.50	6.00	Marathon Oil	6.00	5.50	5.50	Marathon Oil	5.50
5.50	5.00	Marathon Oil	5.00	4.50	4.50	Marathon Oil	4.50
4.50	4.00	Marathon Oil	4.00	3.50	3.50	Marathon Oil	3.50
3.50	3.00	Marathon Oil	3.00	2.50	2.50	Marathon Oil	2.50
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MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

For Adams & Gibson

For Adams & Gibson

For Adams & Gibson

For Adams & Gibson

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LONDON STOCK EXCHANGE

MARKET REPORT

Profit-taking halts five-day upsurge in equities
FT index retreats 18.4 to 1128.5

ACCOUNT DEALING DATES

First Declaration Last Account
Dealing Date Dealings Date
Nov 11 Nov 22 Dec 2
Nov 25 Dec 5 Dec 16
Dec 9 Dec 20 Jan 6
New-time Dealings may take
place from 9.30 am to 2.00 pm on
business days.

The five-day upsurge in equity prices which swept the FT Ordinary share index nearly 60 points higher ended in the same spectacular fashion yesterday. The temptation to take profits after such a sharp rise was too much for investors and an easier trend on Wall Street overnight gave them a plausible excuse. Dealers were forewarned, having expected the inevitable sell-off during the previous trading session, so were on their guard the moment business opened.

A board market-down of blue chip issues and recent high-fliers failed to deter the profit-taking sales but the decline in the index had a more significant impact at first. Around mid-morning the tone began to steady and it looked as though the sell-off had blown out but during the afternoon the market encountered more turbulence. Dealers became worried over the absence of institutional support and in this trading the downturn gathered speed.

Renewed dullness in New York early yesterday exacerbated the market's unease which continued into the after-hours session. Finally the FT Ordinary share index closed showing one of its heaviest falls for some time at 1128.5, down 18.4. The broader-based FT SE 100 share index was similarly affected, ending 23.6 lower at 431.9.

Sheik Yamani's fresh warning about oil prices stirred interest in the oil sector but losses were confined to a few shares. A double-figure fall appeared against many leading stocks with the emphasis on issues which have been seen recently on overvaluation. Of Monday's outstanding quartet, British Home Stores, Habitat 66, and United Biscuits all retraced but Imperial continued to force ahead.

Gilt-edged securities drifted back with the exchange rate, which initially lost firmness against the dollar. Interest was subdued for conventional stocks pending the outcome later this week of the tender offer for the new £1bn short Gilt, Exchequer 10½ per cent 1989, index-linked issues made on their periodic returns to popularity by recent Press comment. Small demand in an oversold market had quite an effect, producing improvements ranging from 1½ among both short- and longer-dated stocks.

Mercury Sees fall

Mercury Securities dropped 23 to 690p on profit-taking in the wake of Mr. Saul Steinberg's decision to limit his shareholding in the company; associated stock jobbing concern Akroyd and Smithers lost 15 to 515p in sympathy.

Elsewhere, the major clearers took a distinct turn for the worse with NatWest leading the retreat with a decline of 15 to 707p. Midland fell 13 to 443p, Lloyds dipped 11 to 502p and Barclays 9 to 430p.

Insurance closed 1 over throughout the day. General Accident, additionally burdened by rumours of a vendor placing, lost 17 to 718p.

Allied-Lyons drifted 9 to 287p on lack of interest despite the better-than-expected first-half figures. Similar conditions prevailed elsewhere in the Breweries with recent high-flier Bass 14 cheaper at 875p, and Guinness 4 off at 303p. Elsewhere, Distillers reacted to occasional profit-taking to close 8 lower at 487p.

Among Building Issues, EPS responded to better-than-expected interim results with a rise of 16 to 388p, but news of the withdrawal of a vendor placed, lost 17 to 718p.

Occasional offerings left ICI 15 cheaper at 717p, while Leigh interest eased a few pence to 118p following the half-year figures.

Leading Electricals were upset by Press comment on a possible new initiative to defend contracts to smaller companies. Falls of 8 were marked against GEC, 78p where double-figure falls appeared against many leading stocks with the emphasis on issues which have been seen recently on overvaluation.

Of Monday's outstanding quartet, British Home Stores, Habitat 66, and United Biscuits all retraced but Imperial continued to force ahead. Gilt-edged securities drifted back with the exchange rate, which initially lost firmness against the dollar.

Stores give ground

Leading Retailers, having led the equity market to successive peaks recently amid widespread enthusiasm, began to show signs of retreating, were quick to react to profit-taking. Woolworth closed 18 to 577p, while GUS A closed 8 off at 580p. Consideration of the proposed merger left Habitat 66 17 lower at 549p and British Home Stores 12 cheaper at 397p. Barton was again volatile and fell 5 to 570p before finishing 12 down on balance at 578p on continuing thoughts that Habitat 66 will not be taken up. Option to acquire Marks and Spencer also lost ground and fell 6 to 182p, but

FINANCIAL TIMES STOCK INDICES

	Nov. 26	Nov. 25	Nov. 22	Nov. 21	Nov. 20	Nov. 19	Nov. 18
Government Secs.....	83.99	83.99	83.85	85.60	83.27	83.41	83
Fixed Interest.....	86.34	86.37	86.90	86.96	86.78	86.76	86
Ordinary.....	1138.0	1146.8	1135.4	1121.3	1106.0	1095.9	83
Gold Mines.....	306.6	309.4	324.5	329.5	328.2	377.6	85
Ord. Div. Yield.....	4.33	4.36	4.28	4.31	4.26	4.40	4
Barclays, W.D. & M.	10.45	10.53	10.69	10.69	10.89	10.90	11
P/E Ratio (incl. Div.)	11.45	11.60	11.63	11.58	11.39	11.31	10
Total Margins (Est. 24.94%)	36.00	36.00	36.00	36.00	36.00	36.00	36
Equity Turnover 52w	—	—	—	—	—	—	—
Equity Margins.....	35.50	35.69	37.01	36.95	36.97	36.97	36
Shares Traded (m.)	—	300.2	369.1	213.4	149.6	179.2	16

9 10 am 1137.4; 11 am 1136.4. Noon 1138.1. 1pm 1138.2.

Continued on Page 40

AMEX COMPOSITE PRICES

Prices at 3pm, November 28[illegible]

Nasdaq national market 2.30pm prices

[illegible]

Continued on Page 47

SPAIN & PORTUGAL

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FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Attracted by weakness in blue chips

IN BRISK trading on Wall Street, the stock market continued to stand up to profit-takers yesterday, writes Terry Byland in New York.

Some early losses were recovered at midsession as softness in the dollar brought support for the overseas earning stocks.

A 3pm Dow Jones industrial average was 4.59 higher at 1,461.24.

Bond prices moved higher in thin trading, after the Commerce Department statistics on October durable goods orders disclosed an unexpected dip of 2.1 per cent.

Any weakening in the US economy strengthens the chances of a discount rate cut by the Federal Reserve. However, bond traders were squaring off positions ahead of the Thanksgiving Day holiday which will effectively close the fixed interest markets from this morning until Monday.

In the stock market, some initial weakness in blue chips attracted the buyers. Financial issues remained dull and with institutions unwilling to push prices higher ahead of the Thanksgiving weekend break, it was left to special situations to provide excitement.

The prominent feature was an early plunge in Texaco, which was suspended at \$32½ in the face of an imbalance of orders as sellers responded to hints in Texas newspapers that the oil company might be forced into Chapter 11 bankruptcy proceedings by the court order to pay \$10.5bn to Pennzoil.

By midday, Texaco had restarted trading after a boardroom statement and a huge turnover of nearly 5m shares left the price at \$32½, a loss of \$1½. But institutions traded blocks of Texaco stock above this price in the third, or off-floor market. Pennzoil added \$1 to \$63½ but was not heavily traded.

Another long-running takeover situation saw stock in SCM ease \$½ to \$72½ after the court denied Hanson Trust's request for an injunction to stop Merrill Lynch from buying important subsidiaries of SCM. The ruling reduces the chances of success for Hanson's offer for SCM, the highest available for stockholders.

But Rorer Group, a favoured takeover stock, turned sharply down after Sandoz of Switzerland denied interest. At \$38½, Rorer lost \$2½.

Allis-Chalmers, the agricultural machinery and industrial group, eased \$½ to \$3½ in minimal trading after Siemens of West Germany bought the remaining 12 per cent stake in the Siemens-Allis joint venture in the US.

Sea-Land, at \$25½, gained \$1 after rejecting a takeover offer of \$25 a share from a private investor.

IBM edged up \$½ to \$139½ in thin trading, while Digital Equipment rebounded \$2½ to \$118½ after falling on Monday in response to brokerage comment.

The Detroit car stocks stood up well to the latest report of falling sales. General Motors holding steady at \$70¼, while Ford eased \$½ to \$54¼.

The drug stocks, always ready to benefit from a lower dollar, were featured by gains of \$2½ to \$79 in Syntex and of \$1 to \$51½ in Pfizer.

A strong spot in the health care sector was Warner Lambert, \$1¼ higher at \$41¼ after plans for a stock buyback outweighed the effects of a heavy charge against earnings.

Profits news from the retail sector had little overall effect. Toys R Us remained unchanged at \$38½ on the earnings statement. Department stores looked irregular, although Petrie Stores added \$½ to \$47¼ on a sharp rise in third-quarter profits. US Shoe gained \$¾ to \$45¼, and The Gap \$1¼ to \$58¼, both after trading reports.

In the credit market, federal funds continued to trade below 8 per cent without intervention from the Federal Reserve. Other short-term rates edged higher, however, reflecting need for funds ahead of the holiday.

In the bond market, the new key issue, the 9½ per cent 2015 issue auctioned last week, edged up ¼ point to 99½. But turnover was narrow as traders wound down their positions in a market which does not expect to see much business after noon today.

LONDON

Firm trend halted by profit-taking

THE TEMPTATION to take profits was too strong for investors in London yesterday after the five-day upsurge in prices.

A broad mark-down of blue chips failed to deter the profit-takers, but around mid-morning the tone began to steady and it looked as though the squall had blown out. However, during the afternoon the market encountered more turbulence, dealers became worried over the absence of institutional support and the downturn gathered speed.

The FT Ordinary share index closed showing one of its heaviest falls for some time at 1,128.5, down 18.4.

Gilt-edged bonds with the exchange rate which initially lost firmness against the dollar. Small demand in an oversold market produced improvements ranging to ¼ among both short and longer-dated stocks.

Chief price changes, Page 47, Details, Page 46, Share information service, Pages 44-45

AUSTRALIA

GOLD MINING was one of the few sectors to show any improvement in Sydney yesterday where prices were pulled lower by heavy selling in BHP.

The All Ordinaries share index lost 3.8 and dropped through the 1,000 level to end at 998.4. BHP, which fell 12 cents in Melbourne during the one-hour suspension of the Sydney stock exchange after a bomb scare, finished 18 cents lower on the day at A\$8.44 following news of its plans to buy Houston-based Monsanto Oil for US\$745m.

Among golds, Renison added 16 cents to A\$5.20 and Kidston, GMK and Central Norseman all gained 10 cents to A\$5.56, A\$4.90 and A\$7.30 respectively.

HONG KONG

AS TALKS over Hong Kong's political future began in Peking, shares ended higher in the colony yesterday with the Hang Seng index gaining 1.86 to 1,786.35.

Property issues, which have recently been heavily bought, ended lower. Cheung Kong lost 30 cents to HK\$20.40, while both Hongkong Land and New World Developments shed 5 cents each to HK\$6.80 and HK\$8.45, respectively.

SINGAPORE

PERSISTENT selling kept prices lower across the board in Singapore yesterday. Investors appeared concerned over the continued debt problems at Pan-Electric Industries.

Most issues faded by between 1 and 5 cents. Blue chips registered the largest falls with Geyings off 5 cents at \$5.35, both Singapore Press and Malayan Banking off by a similar amount to \$8.15 and \$8.15 respectively and Sime Darby 2 cents lower at \$1.50.

SOUTH AFRICA

GOLDS turned easier in Johannesburg yesterday after starting trading mostly at the record highs reached on Monday.

Industrials, on the other hand, tended firmer taking the industrial index to a record high.

Buffels shed R1.50 to R88.50, Driefontein 75 cents to R56.25 while among banks, Barclays gained 50 cents to R19 and Nedbank eased 10 cents to R10.

CANADA

PROFIT-TAKING continued to take Toronto lower after last week's record gains.

Among active issues, Bell Canada stood unchanged at C\$42½. The group said its Bell Canada unit would set up a subsidiary to market franchising services in the US and Canada. Imperial Oil eased C\$¼ to C\$53½.

Mining and utility issues showed some gains in Montreal.

TOKYO

Deflated by concern on higher yen

CONCERN over the adverse effect on the Japanese economy of the yen's sharp rise against the dollar deflated activity in Tokyo yesterday, writes Shigeo Nishizaki of Fuji Press.

The Nikkei average finished at 12,783.10, off 0.29 from the previous day. Volume totalled 281m shares compared with Monday's 250m. Falls outnumbered rises by 413 to 382, with 153 issues unchanged.

Soon after the yen broke the ¥200 barrier against the dollar on Monday, Bank of Japan governor Mr Satoshi Sumita said the central bank would maintain its policy of keeping the yen at higher levels while paying due regard to economic trends. This made investors increasingly concerned over a possible economic setback.

As a result, asset-heavy stocks and construction came under profit-taking pressure. These issues drew popularity the previous day because they will benefit from expansion of domestic demand and be little affected by the yen's appreciation.

Mitsubishi Estate lost ¥20 to ¥1,150 and Nippon Express ¥3 to ¥587.

Taisei fell ¥4 to ¥342 and Tobishima ¥8 to ¥382. But Wakachiku Construction and Shimizu Construction, both lagging behind other construction issues, added ¥10 and ¥12 to ¥675 and ¥399, respectively.

Blue chips fared poorly on prospects that the yen's surge would worsen their earnings position in the business year ending in March 1986. NEC got off to a steady start but finished at ¥1,230, unchanged from the previous day. Ricoh shed ¥20 to ¥1,130, Matsushita Electric Industrial ¥20 to ¥1,200 and Sony ¥30 to ¥3,800.

Large-capital stocks eased, with Mitsubishi Heavy Industries dropping ¥3 to ¥374 and Nippon Steel ¥4 to ¥155.

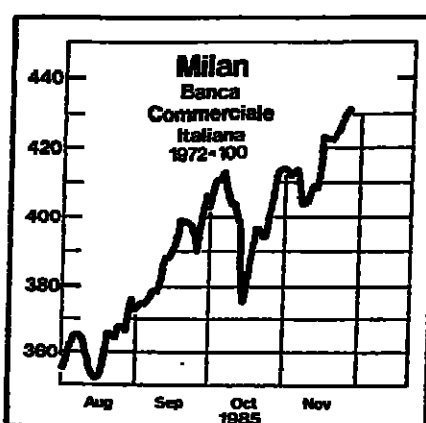
In lacklustre trading, incentive-backed issues surged on speculative buying. Oki Electric was the most active stock with 18.19m shares changing hands, gaining ¥2 to ¥719. Oki has been attracting buying interest on rumours of its capital tie-up with IBM.

Nippon Sheet Glass rose ¥2 to ¥817, supported by bright prospects for its optical communications-related products business. Nippon Kogaku advanced ¥21 to ¥1,919 and Anritsu Electric ¥100 to ¥2,490.

Kao closed ¥25 higher at ¥997 after

rising to ¥1,000, helped by expansion of its toiletry and electronics business.

Bond prices surged, supported by active buying from city banks and securities houses. The yield on the benchmark 6.8 per cent government bond, maturing in December 1994, fell to 6.275 per cent from Monday's 6.460 per cent.



EUROPE

Record run begins to lose steam

SOME OF THE STEAM of the record-breaking run on the European bourses was lost yesterday as profit-takers moved in on a large scale. The setback proved largely technical in nature with most centres still fundamentally sound.

Milan managed to reach another record level despite having much corporate news to digest and a healthy horde of profit-takers with which to contend.

The Banca Commerciale index inched 0.72 higher to an all-time peak of 431.49.

Reports that Gemina may sell its stake in Montedison and that state merchant bank Mediobanca will be privatised occupied the attention of many investors for most of the session.

The early fall in Montedison's share price triggered some unease and subsequent heavy trading in the group pushed it 1.12 lower to 1,249.9.

Mediobanca also staged an uncertain performance after last week's breath-taking advance. The bank, in which three state-controlled banks will now reduce their majority holding, lost L1,000 to finish at L138,500.

Other banks lost ground in sympathy with Banca Commerciale L55 cheaper at L24,745, and BNA, down L10 to L7,190.

Fiat reversed the sharp rise of the previous session to close L18 down at L5,030 and Olivetti, steady on Monday, lost L73 to L7,847. Saipem moved against the weaker industrial trend with a L25 gain to L7,030.

Insurers rose sharply with Ras L3,500 stronger at L139,500 and Generali L320 firmer at L69,570.

Unofficial after bourse trading hit Fiat and Ras.

Thin trading in Frankfurt exasperated the technical reverse from last week's rally. The strong interim figures from Commerzbank and Bayer had already been discounted and little support was evident for either group. The former eased 30 pf to DM 274.20, while the latter dipped DM 3.50 to DM 258.50.

The absence of foreign buyers was only partially offset by a small number of domestic investors and the Commerzbank index lost 11.2 to 1,763.3.

The softer dollar also cast a cloud over export-sensitive issues such as carmakers. Porsche, always vulnerable to dollar fluctuations, lost DM 15 on cue to DM 1,290 although Daimler displayed unusual weakness with a sharp DM 18.50 fall to DM 1,209.5. BMW suffered a proportionally more damaging decline with a bruising DM 17 drop to DM 581.

Isolated bright spots included Metallgesellschaft's DM 3 rise to DM 307 on higher world sales figures and engineer GHH managed an early rise of DM 2.40 before closing DM 5 lower at DM 223. Specialist ceramics group Rosenthal added 80 pf to DM 321 while Brown Boveri scored an impressive DM 4.50 advance to DM 288.

Banks were very mixed while stores, recently buoyed by strong demand, were trampled by profit-takers with Karstadt worst affected with its DM 10.50 decline to DM 336.50.

Bonds mixed with a firmer bias, saw gains of up to 35 basis points and losses up to 15 basis points. The Bundesbank was moderately active with sales of paper increasing to DM 32.7m from Monday's sales of only DM 7m.

Amsterdam turned mixed although strong UK support for Philips boosted it 80 cents higher to F1 54.40 Boskalis held at F1 19.50 as details of its crucial restructuring plan were revealed. Bonds were lower where changed.

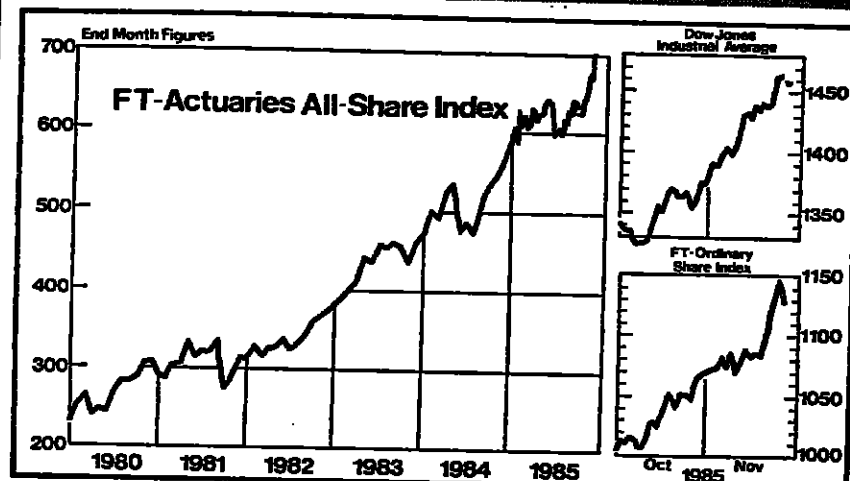
Early losses were partially overturned in Paris but prices still finished lower on the day in heavy trading. Some investor buying power was aimed at issues that appeared neglected in the recent surge that has boosted share values by 20 per cent on average.

A cavalry-like appearance by foreign and domestic institutions saved the day in Zurich which encountered early profit-taking among banks and then industrials. The market having survived the expected technical onslaught now appears poised to make further solid progress.

Pharmaceuticals injected further support into a stronger Stockholm while Brussels began to consolidate recent gains in moderate trading.

Telecommunications led the downturn in Madrid as utilities, fresh from their capital raising plans, lost ground.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,461.24	1,456.85	1,212.35
DJ Transport	676.73	676.26	531.78
DJ Utilities	164.91	165.37	144.85
S&P Composite	200.86	200.35	165.55

	Nov 26	Previous	Year ago
LONDON			
FT Ord	1,128.5	1,146.9	925.3
FT-SE 100	1,431.9	1,445.5	1,172.3
FT-A All-share	693.77	702.06	558.62
FT-A 500	761.74	771.36	608.14
FT Gold mine	306.6	309.4	559.8
FT-A Long gilt	10.31	10.30	10.44

	Nov 26	Previous	Year ago
TOKYO			
Nikkei	12,783.1	12,783.39	11,163.0
Tokyo SE	1,008.27	1,008.4	846.99

	Nov 26	Previous	Year ago
AUSTRALIA			
All Ord	996.4	1,000.2	765.5
Metals & Mins.	498.1	499.1	457.8

	Nov 26	Previous	Year ago
AUSTRIA			
Credit Aktien	121.93	119.22	58.46

	Nov 26	Previous	Year ago
BELGIUM			
Belgian SE	2,983.08	2,986.36	—

	Nov 26	Previous	Year ago
CANADA			
Toronto			
Metals & Mins	1,908.4	1,921.43	1,572.0
Composite	2,813.6	2,819.92	2,399.4
Montreal			
Portfolio	136.73	137.04	119.16

	Nov 26	Previous	Year ago
DENMARK			
SE	219.78	219.62	168.93

	Nov 26	Previous	Year ago
FRANCE			
CAC Gen	247.9	248.3	181.7
Ind. Tendance	143.1	144.2	100.6

	Nov 26	Previous	Year ago
WEST GERMANY			
FAZ-Aktien	598.74	601.51	373.22
Commerzbank	1,763.6	1,774.5	1,092.1

	Nov 26	Previous	Year ago
HONG KONG			
Hang Seng	1,738.35	1,736.49	1,113.96

	Nov 26	Previous	Year ago
ITALY			
Banca Com.	431.49	430.67	216.43

	Nov 26	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	238.0	239.2	178.4
ANP-CBS Ind	212.9	214.1	139.7

	Nov 26	Previous	Year ago
NORWAY			
Oslø SE	402.86	406.88	283.81

	Nov 26	Previous	Year ago
SINGAPORE			
Straits Times	717.60	729.23	624.43

	Nov 26	Previous	Year ago
SOUTH AFRICA			
JSE Golds	—	1,277.1	1,070.7
JSE Industrials	—	1,045.9	969.0

	Nov 26	Previous	Year ago
SPAIN			
Madrid SE	134.61	135.76	102.91

	Nov 26	Previous	Year ago
SWEDEN			
J & P	1,583.75	1,589.51	1,333.66

	Nov 26	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	534.5	535.2	375.9

	Nov 26	Previous	Year ago
WORLD			
Nov 25	—	—	—
Capital Int'l	244.7	244.0	185.4

COMMODITIES

	Nov 26	Previous
(London)		
Silver (spot fixing)	426.25p	426.45p
Copper (cash)	£943.25	£948.50
Coffee (Jan)	£1,840.50	£1,871.50
Oil (spot Arabian Light)	\$27.95	\$27.95

GOLD (per ounce)

	Nov 26	Previous
(London)		
Nov 25	\$331.75	\$331.00
Zürich	\$331.70	\$330.75
Paris (franc)	\$333.33	\$331.98
Luxembourg	\$332.00	\$330.00
New York (Dec)	\$331.30	\$332.70

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